

STATE OF HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



DOUGLAS MURDOCK
COMPTROLLER

HAWAII

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED JUNE 30, 2015



DOUGLAS MURDOCK
COMPTROLLER

Prepared by Accounting Division
Department of Accounting and General Services

Independent Audit Contracted and Administered by
Office of the State Auditor

State of Hawaii
Comprehensive Annual Financial Report
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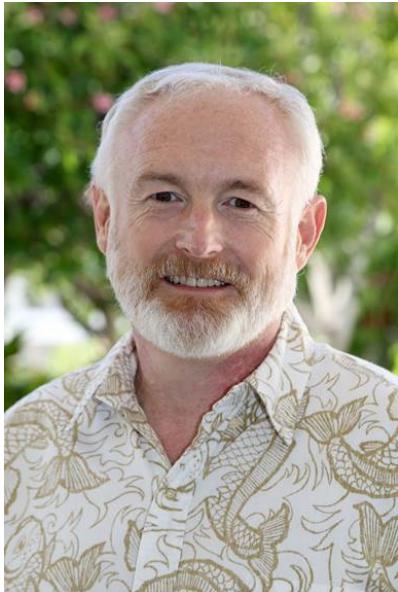
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PART I: INTRODUCTORY SECTION

State of Hawaii
Principal Officials for Finance-Related Functions
June 30, 2015



Douglas Murdock
Comptroller



Audrey Hidano
Deputy Comptroller

Governor

David Y. Ige

Director of Finance

Wesley K. Machida

Director of Taxation

Maria E. Zielinski

Comptroller

Douglas Murdock

Deputy Comptroller

Audrey Hidano

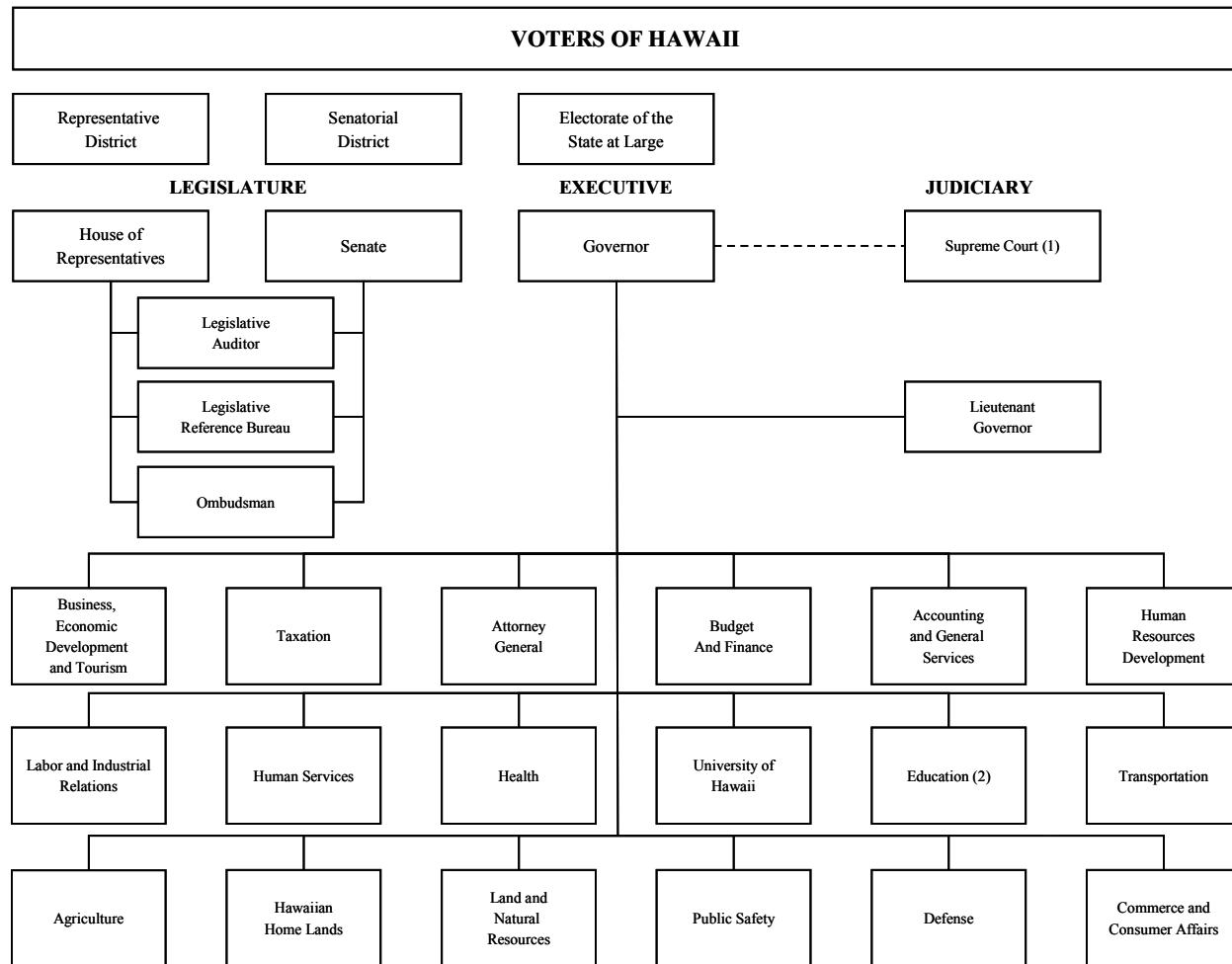
Notes:

The Director of Finance is also department head of the Department of Budget and Finance.

The Comptroller is also department head of the Department of Accounting and General Services.

An organizational chart including those and other departments and agencies of the State of Hawaii government is presented on the following page.

**State of Hawaii
Organizational Chart
June 30, 2015**



(1) The Governor's appointment of justices of the Supreme Court confirmed by the Senate.

DAVID Y. IGE
GOVERNOR



DOUGLAS MURDOCK
Comptroller
AUDREY HIDANO
Deputy Comptroller

**STATE OF HAWAII
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES**

P.O. BOX 118, HONOLULU, HAWAII 96810-0118

December 30, 2015

To the Honorable Governor of the State of Hawaii
To the Honorable Members of the Twenty-Eighth State
Legislature of the State of Hawaii

In accordance with the provisions of Section 40-5 of the Hawaii Revised Statutes, it is our privilege to present to you the Comprehensive Annual Financial Report (CAFR) of the State of Hawaii (the State) for the fiscal year ended June 30, 2015. The State's Department of Accounting and General Services has prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the State. We believe the information, as presented, is fairly stated in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the State as measured by the financial activity of its various funds; and that all the information necessary to enable the reader to gain the maximum understanding of the State's financial affairs has been included.

Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A is included in Part II of this report.

THE REPORTING ENTITY AND ITS SERVICES

With Hawaii's highly centralized state government, the State provides a full range of services as mandated by statute. These services include, but are not limited to, education (lower and higher), welfare, transportation (highways, airports, and harbors), health, hospitals, public safety, housing, culture and recreation, economic development, and conservation of natural resources.

This report includes the various funds comprising the State, including all entities that are accountable to the State. The Employees' Retirement System of the State of Hawaii, which is administered on behalf of public employees for both the state and county governments, and the Office of Hawaiian Affairs, which exists for the betterment of the conditions of native Hawaiians, are not included in the State's basic financial statements because those agencies, based on their fiscal independence and/or separate legal entity status, are not accountable to the State.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the basic financial statements is perhaps best understood when considered from the broader perspective of the specific environment within which the State operates.

State of the Economy

Overview

During the third quarter of 2015 Hawaii's economic indicators for the tourism industry, tax revenues, the construction industry, and unemployment were mostly positive. State general fund tax revenues, visitor arrivals and expenditures, wage and salary jobs, personal income, government contracts awarded, and private building permits all increased, with only State construction in progress expenditures decreasing.

Labor

Since the fourth quarter of 2010, Hawaii's jobs increased for the 20th consecutive quarter. During the first nine months of 2015, Hawaii's total civilian employment averaged 648,850 persons, an increase of 11,150 persons or 1.7% over the same period in 2014. The number of wage and salary jobs was up 7,400 to 637,500 for an increase of 1.2%. Job increases were most notable in retail trade (1,700), health care and social assistance (1,700), professional and business services (1,600) and food services and drinking places (1,500). A few sectors experienced declines including state government (800), federal government (500) and accommodation (300). Hawaii's civilian unemployment rate (not seasonally adjusted) averaged 3.9% for the first nine months of 2015, compared to 4.5% for the same period in 2014.

Taxes

The State General Fund tax revenues increased \$444.2 million, or 10.8%, during the first nine months of 2015 compared to the same period in 2014. Among its components, net individual income tax collections increased \$234.8 million or 17.8%, general excise and use tax (GET) collections increased \$145.1 million or 6.5%, transient accommodations tax (TAT) collections were up \$21.3 million or 6.7%, and net corporate income tax revenues increased \$21.1 million or 45.1%.

Personal Income

Total nominal personal income, not adjusted for inflation, increased \$5.7 billion, or 4.4% in the first half of 2015 compared to the same period in 2014. Among its components, the fastest growth was seen in wages and salaries which increased \$2.6 billion or 4.0%, personal current transfer receipts which increased \$1.1 billion or 5.5%, and dividends, interest, and rent which increased \$1.0 billion or 3.6%. Contributions for government social insurance, which are subtracted from personal income, increased by 1.4%.

Prices

Honolulu's consumer price index (CPI) increased 0.7% for the first half of 2015 compared to the same period in 2014, higher than the 0.1% United States (U.S.) average CPI-U decrease. The Honolulu increase was primarily due to increases in other goods and services (5.3%), medical care (4.8%), food and beverages (4.2%), and education and communication (3.1%). Prices also increased for housing (1.0%) and recreation (0.9%). The price decreased for transportation and apparel (8.6% and 2.1% respectively).

Recent Developments in Hawaii's Major Industries

Visitor Industry

In the first nine months of 2015, total visitor arrivals by air increased 262,000 or 4.3% compared to the same period of 2014. Domestic arrivals (visitors on flights originating inside of the U.S.) increased 5.3% while international arrivals increased 2.2%. Total visitor days (visitor arrivals multiplied by average length of stay) increased 3.8% in the first nine months of 2015 compared to the same period of 2014 and total visitor spending increased \$294.5 million or 2.7% over the same

period. Statewide hotel occupancy rate averaged 79.1% in the first half of 2015, 1.6% higher than the average rate during the same period of 2014.

Construction

Hawaii's construction industry has been one of the steady contributors to job growth over the past few years. In the first nine months of 2015, the construction sector added 1,100 jobs or 3.5% from the same period of 2014. Before the recession, specifically the period from 2002 to 2007, construction job growth averaged 8.0% per year. The strength of the current construction job market is a sharp contrast to the recession period. From the second quarter of 2008 until the second quarter of 2011, construction job growth was negative.

Outlook for Hawaii's Economy

The latest Department of Business, Economic Development and Tourism (DBEDT) forecast for Hawaii's economy is continued positive growth for the rest of 2015 and into 2016. Hawaii's economy depends significantly on conditions in the U.S. economy and key international economies, especially Japan. The November 2015 Blue Chip Economic Consensus Forecasts expects real GDP growth in 2016 to increase 2.6% for the U.S. and 1.1% for Japan.

For 2016, the growth rate of visitor arrivals, visitor days and visitor expenditures are expected to be 1.7%, 1.8% and 3.5%, respectively.

DBEDT projects total non-agricultural wage and salary jobs to increase 1.2% in 2016. Real Personal Income is expected to increase 3.0% in 2016 with real GDP projected to increase 2.3% in the same period.

DBEDT projects Hawaii's inflation, as measured in terms of changes in the Honolulu CPI, to increase 2.3% in 2016. The State GDP deflator is forecast to grow 1.6% in 2016.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and maintaining the State's accounting system, consideration is given to the effectiveness of internal control, which is designed to accomplish certain objectives of management, including:

1. Transactions are executed in accordance with management's general and specific authorization.
2. Transactions are recorded as necessary to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) and to maintain accountability for assets.
3. Access to assets is permitted only in accordance with management's authorization.

Internal controls are designed to provide reasonable, but not absolute, assurance that the above objectives were accomplished. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control. The evaluation of costs and benefits requires estimates and judgments by management. We believe that the State's internal controls are effective in accomplishing management's objectives.

By statutory provision, the State prepares a biennial budget for its programs. Budgeted expenditures are derived primarily from the General Appropriations Act of 2013 (Act 134, SLH 2013), and as amended by the Supplemental Appropriations Act of 2014 (Act 122, SLH 2014), and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes, and other specific appropriations acts in various Session Laws of Hawaii. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year.

An allotment system and encumbrance accounting are utilized by the State for budgetary control purposes. Obligations in the form of purchase orders or contracts are recorded as encumbrances at the time purchase orders or contracts are awarded and executed. To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations were made. The State Legislature specifies the lapse date and any other particular conditions relating to terminating the authorizations for other appropriations.

EMPLOYEE UNION CONTRACTS

The State Constitution grants public employees in Hawaii the right to organize for the purpose of collective bargaining as provided by law. In 2013, the Legislature created a new bargaining unit. This bargaining unit is composed of State and county employees, relocating individuals from two existing collective bargaining units into the new Bargaining Unit 14. An arbitration hearing was held in November 2015 and an arbitration award subject to Legislative approval is expected in January 2016 for the initial collective bargaining agreement for this new unit.

Of the other 13 collective bargaining units, 12 include State employees. All 12 units have collective bargaining agreements in effect through June 30, 2017.

INDEPENDENT AUDIT

Although the State statutes do not require an annual audit of the State's financial statements, the State engaged a firm of independent certified public accountants to audit the State's basic financial statements for the fiscal year ended June 30, 2015. The independent auditors' report has been included in Part II of this report.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

We extend our appreciation to the staff of the various State agencies whose dedicated time and effort made the preparation of this report possible. Their combined efforts have produced a report that we believe will serve as a helpful source of information for anyone having an interest in the financial operations of the State.

Respectfully submitted,



DOUGLAS MURDOCK
Comptroller, State of Hawaii



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Hawaii

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, appearing to read "Jeffrey R. Evans".

Executive Director/CEO

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PART II: FINANCIAL SECTION

Report of Independent Auditors

The Auditor
State of Hawaii

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii (the State) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Hawaii's basic financial statements (pages 30–110) as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these respective financial statements based on our audit. We did not audit the financial statements of the Department of Transportation – Airports and Harbors Divisions, which are major enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, the Water Pollution Control Revolving Fund and the Drinking Water Treatment Revolving Loan Fund, which are nonmajor enterprise funds; the Hawaii Employer-Union Health Benefits Trust Fund, an agency of the State; and the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation which are discretely presented component units, which represent the following percentages of total assets and revenues and additions for the indicated opinion units.

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues/Additions
Business-Type Activities	92%	76%
Aggregate Discretely Presented Component Units	27%	38%
Fiduciary Funds	64%	6%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Department of Transportation – Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Employer-Union Health Benefits Trust Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, the Hawaii Community Development Authority, and the Hawaii Health Systems Corporation, is based solely on the reports of the other auditors. The reports on the Department of Transportation – Airports and Harbors Divisions, the Water Pollution Control Revolving Fund, the Drinking Water Treatment Revolving Loan Fund, the Hawaii Employer-Union Health Benefits Trust Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, and the Hawaii Health Systems Corporation contain an emphasis-of-matter paragraph relating to the adoption of Governmental Accounting Standards Board (GASB) Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, and 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Hawaii, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 14–27), budgetary comparison information (pages 113–116 and 126–132), Schedule of the Proportionate Share of the Net Pension Liability (page 117), Schedule of Contributions (page 118), and Schedules of Funding Progress (page 119) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Hawaii's basic financial statements. The combining and individual fund statements (pages 122–125 and 133–137), introductory section (pages 1–8) and statistical section (pages 140–173) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of the State of Hawaii's management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015, the State adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2015, on our consideration of the State of Hawaii's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Hawaii's internal control over financial reporting and compliance.

Accuity LLP

Honolulu, Hawaii
December 30, 2015

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2015

As management of the State of Hawaii (the State), we offer readers of the State's basic financial statements this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that has been furnished in our letter of transmittal, which can be found on pages 3–7 of this report.

Financial Highlights

Implementation of GASB Statement Nos. 68 and 71

During fiscal year 2015, the State implemented GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

The adoption of Statement Nos. 68 and 71 has no impact on the State's governmental fund financial statements, which continue to report expenditures in the amount statutorily required. However, adoption has resulted in the restatement of the State's fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability in accordance with the provisions of Statement No. 68 and contributions after the measurement date in accordance with Statement No. 71.

Net position as of July 1, 2014 was decreased by \$4,024,656,000 to \$645,611,000 reflecting the retrospective effect of adoption.

Net pension liability of \$4,047,882,000, deferred outflow of resources related to pensions of \$504,356,000, and deferred inflows of resources of \$473,909,000 were reported as of June 30, 2015. For the fiscal year ended June 30, 2015, the State recognized pension expense of \$438,288,000. Refer to Note 11 for more information regarding the State's pension.

Government-Wide Highlights

The assets of the State exceeded its liabilities at June 30, 2015 by \$888.8 million (net position). Unrestricted net position, which may be used to meet the State's ongoing obligations to citizens and creditors, was a negative \$6.4 billion, a decrease of \$4.3 billion from the previous year. Net position of governmental activities and business-type activities decreased by \$3.9 billion and increased by \$130.8 million, respectively, due to implementation of Statement Nos. 68 and 71, in addition to current year activity. The combined decrease to the State was \$3.8 billion from the prior fiscal year.

Fund Highlights

At June 30, 2015, the State's Governmental Funds reported combined ending fund balances of \$2.5 billion, an increase of \$484.9 million from the prior fiscal year. Of this amount, \$1.6 billion, or 63.7%, of total fund balances was in the General Fund, and the remaining \$907.2 million represent amounts in other funds designated for specific purposes. The Proprietary Funds reported net fund position of \$4.0 billion at June 30, 2015, an increase of \$266.2 million during the fiscal year.

Liabilities

The State's liabilities increased due primarily to the adoption of Statement Nos. 68 and 71 during the current fiscal year to \$18.6 billion, an increase of \$5.0 billion. During fiscal 2015, the State issued General Obligation Refunding bonds in the amount of \$209.0 million to advance refund \$416.9 million of previously issued outstanding General Obligation bonds and \$199.8 million in taxable General Obligation Refunding bonds for financing capital projects. In addition, the State issued \$575.0 million in General Obligation bonds and \$25.0 million in taxable General Obligation bonds. During fiscal 2015, the State issued Revenue Bonds in the amount of \$60.3 million to refund previously issued outstanding Revenue Bonds, \$150.0 million to provide funds for environmentally beneficial projects and \$103.4 million for financing capital projects.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2015

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting By Employers For Postemployment Benefits Other Than Pensions*, the State increased the liability for postemployment benefits other than pension, to \$3.7 billion, an increase of \$284.3 million for the fiscal year ended June 30, 2015.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements are comprised of three components: (1) Government-Wide financial statements, (2) fund financial statements, and (3) notes to basic financial statements. This report also contains supplementary information required by GASB and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Government-Wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and unused vacation leave).

Both of the Government-Wide financial statements distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include general government, public safety, conservation of natural resources, highways, health, welfare, education, culture and recreation, urban redevelopment and housing, economic development and assistance, and interest on long-term debt. The business-type activities of the State include the Department of Transportation – Airports Division (Airports), Department of Transportation – Harbors Division (Harbors), and the Unemployment Compensation Fund, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The Government-Wide financial statements include not only the State itself (known as the Primary Government), but also the activities of seven legally separate Component Units: the Hawaii Community Development Authority, the Hawaii Health Systems Corporation, the Hawaii Housing Finance and Development Corporation, the Hawaii Hurricane Relief Fund, the Hawaii Public Housing Authority, the Hawaii Tourism Authority, and the University of Hawaii, comprised of the State's public institutions of higher education, for which the State is financially accountable. Financial information for these Component Units is reported separately from the financial information presented for the Primary Government itself. The Component Units issue separate financial statements containing management's discussion and analysis.

The Government-Wide financial statements can be found on pages 30–32 of this report.

State of Hawaii
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: (1) Governmental Funds, (2) Proprietary Funds, and (3) Fiduciary Funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the Government-Wide financial statements. However, unlike the Government-Wide financial statements, Governmental Funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-Wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-Wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities in the Government-Wide financial statements.

Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, and Med-Quest Special Revenue Fund, each of which is considered to be a major fund. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining financial statements in the supplementary information section of this report.

The State adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison schedule has been provided for the General Fund and each Special Revenue Fund to demonstrate compliance with this budget. The budgetary comparison schedule for the General Fund is located in the required supplementary information and the budgetary comparison statements for each of the Special Revenue Funds are located in the supplementary information section of this report.

The basic Governmental Funds financial statements can be found on pages 34–37 of this report.

Proprietary Funds

Proprietary Funds are used to show activities that operate more like those of commercial enterprises. They are known as Enterprise Funds because they charge fees for services provided to outsiders. They are used to report the same functions presented as business-type activities in the Government-Wide financial statements. The State uses Enterprise Funds to account for the operations of Airports, Harbors, the Unemployment Compensation Fund, and its other business-type activities.

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Proprietary Funds provide the same type of information as the Government-Wide financial statements, only in more detail. The Proprietary Funds financial statements provide separate information for Airports, Harbors, and the Unemployment Compensation Fund, each of which are considered to be major funds of the State. Conversely, the other business-type activities are combined into a single, aggregate presentation in the Proprietary Funds financial statements.

The basic Proprietary Funds financial statements can be found on pages 38–42 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the State. Fiduciary Funds are not reflected in the Government-Wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic Fiduciary Funds financial statements can be found on pages 43–44 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the Government-Wide and fund financial statements. The notes to basic financial statements can be found on pages 52–110 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents a section of required supplementary information other than management's discussion and analysis, which contains budget-to-actual schedules for the State's General and Med-Quest Special Revenue Funds as well as accompanying notes. This section also includes a Schedule of the Proportionate Share of the Net Pension Liability, Schedule of Contributions, and Schedules of Funding Progress.

The combining financial statements referred to earlier are presented in the required supplementary information (RSI) immediately following the required supplemental information other than management's discussion and analysis. These combining statements provide details about the nonmajor Governmental, Proprietary and Fiduciary Funds. The total columns of these combining financial statements carry to the applicable fund financial statements.

The statistical section containing information regarding financial trends, revenue capacity and debt capacity, as well as demographic, economic and operating information follows immediately after the RSI.

Government-Wide Financial Analysis

The following financial analysis focuses on the Primary Government (governmental and business-type activities of the State). Separate financial statements for each of the State's Component Units, including their respective management's discussion and analysis, can be obtained from the Department of Accounting and General Services.

Net position is a useful indicator of a government's financial position. For the State, total assets exceed liabilities by \$888.8 million as of June 30, 2015, and net position decreased \$3.8 billion, or 81.0% from June 30, 2014 balances as previously reported. The net position of the governmental activities decreased by \$3.9 billion, or 486.1%, and business-type activities had an increase of \$130.8 million, or 3.4%. In addition to the fiscal year 2015 activity, net position was affected by the retrospective implementation of Statement Nos. 68 and 71. The following table was derived from the Government-Wide Statement of Net Position.

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Summary Schedule of Net Position June 30, 2015 and 2014 (Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 4,218,887	\$ 3,522,709	\$ 2,923,501	\$ 2,978,774	\$ 7,142,388	\$ 6,501,483
Capital assets, net	9,176,892	8,978,930	2,989,332	2,671,775	12,166,224	11,650,705
Total assets	<u>\$ 13,395,779</u>	<u>\$ 12,501,639</u>	<u>\$ 5,912,833</u>	<u>\$ 5,650,549</u>	<u>\$ 19,308,612</u>	<u>\$ 18,152,188</u>
Deferred outflows of resources						
Deferred loss on refunding	\$ 97,768	\$ 96,843	\$ 7,839	\$ 9,334	\$ 105,607	\$ 106,177
Deferred outflows on net pension liability	485,333	-	19,023	-	504,356	-
Total deferred outflows of resources	<u>\$ 583,101</u>	<u>\$ 96,843</u>	<u>\$ 26,862</u>	<u>\$ 9,334</u>	<u>\$ 609,963</u>	<u>\$ 106,177</u>
Liabilities						
Long-term liabilities	\$ 15,144,447	\$ 10,001,076	\$ 1,720,396	\$ 1,610,731	\$ 16,864,843	\$ 11,611,807
Other liabilities	1,483,387	1,792,573	207,592	183,718	1,690,979	1,976,291
Total liabilities	<u>\$ 16,627,834</u>	<u>\$ 11,793,649</u>	<u>\$ 1,927,988</u>	<u>\$ 1,794,449</u>	<u>\$ 18,555,822</u>	<u>\$ 13,588,098</u>
Deferred inflows of resources						
Deferred inflows on net pension liability	\$ 458,463	\$ -	\$ 15,446	\$ -	\$ 473,909	\$ -
Total deferred inflows of resources	<u>\$ 458,463</u>	<u>\$ -</u>	<u>\$ 15,446</u>	<u>\$ -</u>	<u>\$ 473,909</u>	<u>\$ -</u>
Net position						
Net investment in capital assets	\$ 2,826,649	\$ 2,772,220	\$ 1,773,613	\$ 1,653,902	\$ 4,600,262	\$ 4,426,122
Restricted	1,445,824	1,128,678	1,227,441	1,160,551	2,673,265	2,289,229
Unrestricted	(7,379,890)	(3,096,065)	995,207	1,050,981	(6,384,683)	(2,045,084)
Total net position	<u>\$ (3,107,417)</u>	<u>\$ 804,833</u>	<u>\$ 3,996,261</u>	<u>\$ 3,865,434</u>	<u>\$ 888,844</u>	<u>\$ 4,670,267</u>

Analysis of Net Position

By far, the largest portion of the State's net position (\$4.6 billion or 517.6%) reflects its investment in capital assets (e.g., land, infrastructure, buildings and equipment), less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position (\$2.7 billion or 300.8%) represents resources that are subject to external restrictions or enabling legislation on how they may be used. The remaining balance of negative \$6.4 billion or negative 718.3% represents unrestricted net position.

At June 30, 2015, the State is able to report positive balances in two of the categories of net position for governmental activities and all three categories for business-type activities. The negative balance of unrestricted net position for governmental activities is primarily attributed to the State's other postemployment benefit liability of \$3.6 billion and pension liability of \$3.9 billion.

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Changes in Net Position

The State's net position increased by \$243.2 million, or 37.7%, during the fiscal year ended June 30, 2015. Approximately 56.8% of the State's total revenues came from taxes, while 28.0% resulted from grants and contributions (including federal aid). Charges for various goods and services provided 14.9% of the total revenues. The State's expenses cover a range of services. The largest expenses were for higher and lower education, welfare, health, general government, public safety, and highways.

The following financial information was derived from the Government-Wide Statement of Activities and reflects how the State's net position changed during the fiscal year.

Summary Schedule of Changes in Net Position
For the Fiscal Years Ended June 30, 2015 and 2014
(Amounts in thousands)

	Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 699,561	\$ 641,341	\$ 912,716	\$ 961,967	\$ 1,612,277	\$ 1,603,308
Operating grants and contributions	2,809,460	2,660,770	-	-	2,809,460	2,660,770
Capital grants and contributions	139,977	97,290	72,140	98,628	212,117	195,918
General revenues						
Taxes	6,134,818	5,698,560	-	-	6,134,818	5,698,560
Investment income and other	16,024	13,163	17,567	12,805	33,591	25,968
Total revenues	<u>9,799,840</u>	<u>9,111,124</u>	<u>1,002,423</u>	<u>1,073,400</u>	<u>10,802,263</u>	<u>10,184,524</u>
Expenses						
General government	595,278	567,941	-	-	595,278	567,941
Public safety	504,343	533,727	-	-	504,343	533,727
Highways	426,142	554,039	-	-	426,142	554,039
Conservation of natural resources	89,176	101,587	-	-	89,176	101,587
Health	871,563	849,493	-	-	871,563	849,493
Welfare	3,196,602	2,879,813	-	-	3,196,602	2,879,813
Lower education	2,729,789	2,685,037	-	-	2,729,789	2,685,037
Higher education	761,837	693,292	-	-	761,837	693,292
Other education	21,664	21,766	-	-	21,664	21,766
Culture and recreation	84,265	104,303	-	-	84,265	104,303
Urban redevelopment and housing	115,653	137,160	-	-	115,653	137,160
Economic development and assistance	179,485	166,455	-	-	179,485	166,455
Interest expense	247,059	239,760	-	-	247,059	239,760
Airports	-	-	350,041	346,699	350,041	346,699
Harbors	-	-	87,031	89,327	87,031	89,327
Unemployment compensation	-	-	186,893	244,947	186,893	244,947
Nonmajor proprietary fund	-	-	112,209	87,031	112,209	87,031
Total expenses	<u>9,822,856</u>	<u>9,534,373</u>	<u>736,174</u>	<u>768,004</u>	<u>10,559,030</u>	<u>10,302,377</u>
Change in net position	<u>(23,016)</u>	<u>(423,249)</u>	<u>266,249</u>	<u>305,396</u>	<u>243,233</u>	<u>(117,853)</u>
Net position						
Beginning of year, as previously reported	804,833	1,228,082	3,865,434	3,560,038	4,670,267	4,788,120
Adjustment for change in accounting principle	<u>(3,889,234)</u>	<u>-</u>	<u>(135,422)</u>	<u>-</u>	<u>(4,024,656)</u>	<u>-</u>
Beginning of year, as restated	<u>(3,084,401)</u>	<u>1,228,082</u>	<u>3,730,012</u>	<u>3,560,038</u>	<u>645,611</u>	<u>4,788,120</u>
End of year	<u>\$ (3,107,417)</u>	<u>\$ 804,833</u>	<u>\$ 3,996,261</u>	<u>\$ 3,865,434</u>	<u>\$ 888,844</u>	<u>\$ 4,670,267</u>

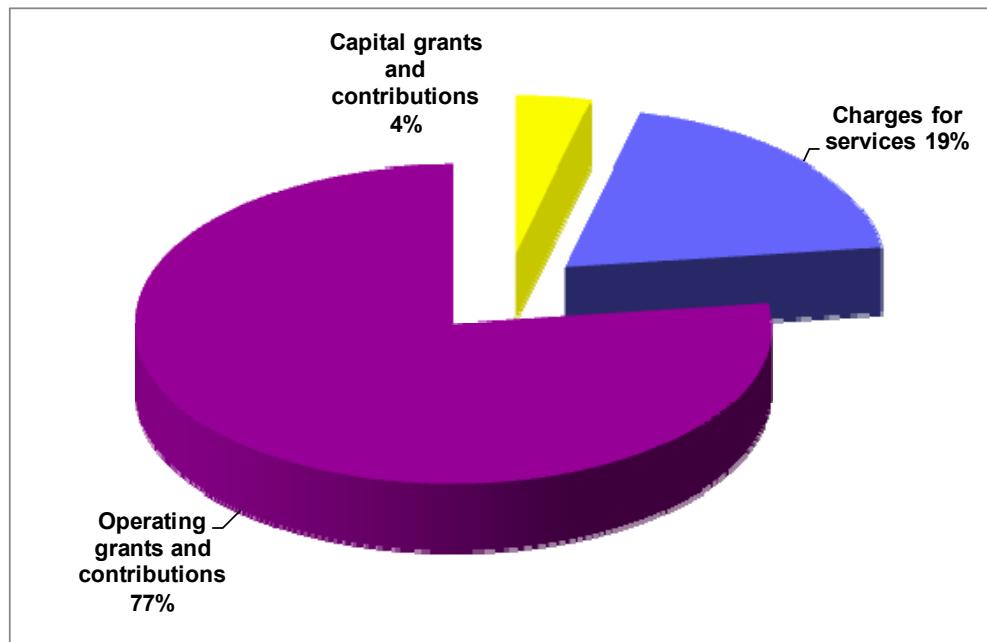
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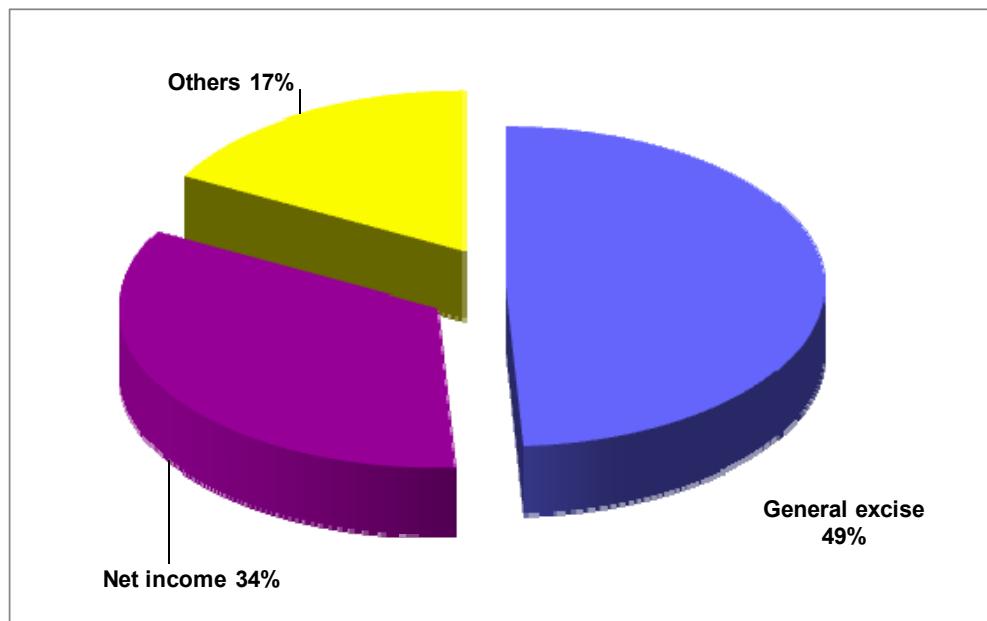
June 30, 2015

The following charts depict revenues of the governmental activities for the fiscal year:

Program Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2015



Tax Revenues by Source – Governmental Activities
Fiscal Year Ended June 30, 2015



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Analysis of Changes in Net Position

The State's net position increased by \$243.2 million during the current fiscal year. This is explained in the governmental and business-type activities discussion, and is primarily due to decrease in net position of governmental activities of \$23.0 million offset by increases in net position of Unemployment Compensation Fund of \$62.7 million, Airports of \$127.5 million, Harbors of \$37.9 million, and Nonmajor Proprietary Funds of \$38.1 million.

Governmental Activities

Governmental activities decreased the State's net position by \$23.0 million. The elements of this decrease are reflected below:

	Governmental Activities (Amounts in thousands)	
	2015	2014
General revenues		
Taxes	\$ 6,134,818	\$ 5,698,560
Interest and investment income and other	16,024	13,163
Total general revenues	<u>6,150,842</u>	<u>5,711,723</u>
Expenses, net of program revenues		
General government	310,796	313,079
Public safety	395,423	423,136
Highways	266,363	354,953
Conservation of natural resources	(1,459)	14,412
Health	618,597	593,900
Welfare	903,414	876,936
Lower education	2,423,324	2,341,385
Higher education	761,837	693,292
Other education	21,664	21,766
Culture and recreation	70,274	87,011
Urban redevelopment and housing	67,994	96,056
Economic development and assistance	88,572	79,286
Interest expense	<u>247,059</u>	<u>239,760</u>
Total governmental activities expenses, net of program revenues	<u>6,173,858</u>	<u>6,134,972</u>
Decrease in governmental activities net position	<u>\$ (23,016)</u>	<u>\$ (423,249)</u>

Tax revenues increased by \$436.3 million, or 7.7%, from the previous fiscal year. The increase was primarily due to increase in general excise taxes of \$205.1 million and corporations and individuals net income taxes of \$232.1 million due to growth in the State economy.

Lower education net expenses increased \$81.9 million or 3.5%. This change is primarily due to the decrease in revenues for the school based budgeting and instructional support programs.

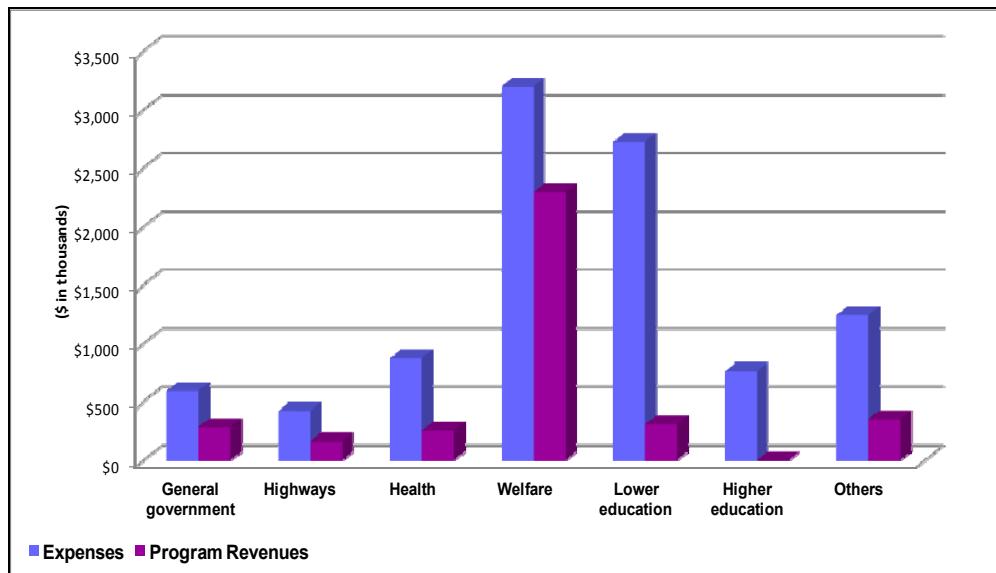
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A comparison of the cost of services by function of the State's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities. This format identifies the extent to which each governmental function is self-financing through fees and intergovernmental aid or draws from the general revenues of the State:

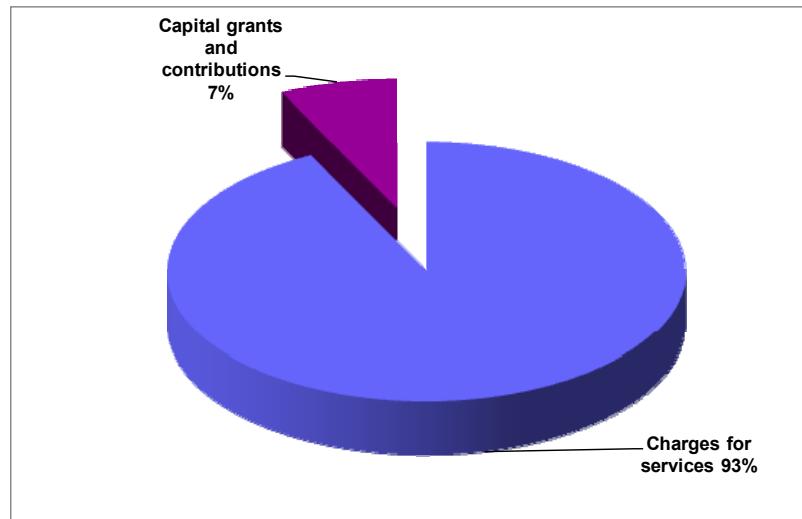
Expenses and Program Revenues – Governmental Activities
Fiscal Year Ended June 30, 2015



Business-Type Activities

The following charts depict revenues and expenses of the business-type activities for the fiscal year:

Program Revenues by Source – Business-Type Activities
Fiscal Year Ended June 30, 2015

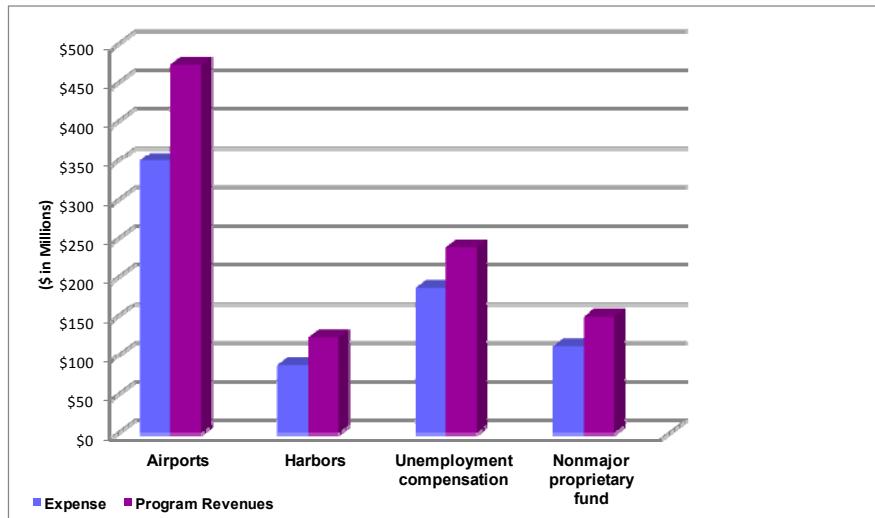


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Expenses and Program Revenues – Business-Type Activities Fiscal Year Ended June 30, 2015



Business-type activities increased the State's net position by \$266.2 million in fiscal 2015, compared to an increase of \$305.4 million in fiscal 2014. Key elements of this increase are as follows:

- Airport's net position increased \$127.5 million compared to an increase of \$125.9 million in the prior fiscal year. Charges for current services increased by \$30.0 million primarily due to the increase in landing fees, aeronautical revenues and concession revenues from an increase in passenger traffic. Operating and capital grants and contributions decreased \$26.1 million mainly due to the decrease in federal capital grants.
- Harbor's net position increased \$37.9 million in fiscal 2015 compared to an increase of \$32.4 million in fiscal 2014. Charges for current services increased by \$2.2 million, while expenses decreased \$2.3 million.
- The Unemployment Compensation Fund's net position increased \$62.7 million compared to an increase of \$116.0 million in the prior fiscal year. The change was primarily due to a decrease in unemployment benefits paid of \$58.1 million offset by a decrease in unemployment tax revenues of \$114.2 million.
- The Nonmajor Proprietary Fund's net position increased \$38.1 million in fiscal 2015 compared to an increase of \$31.1 million in fiscal 2014.
- Key elements of the State's business-type activities for the fiscal years ended June 30, 2015 and 2014 are as follows:

	Business-Type Activities (Amounts in thousands)										
	Program Revenues			Operating and Capital Grants and Contributions			Total			Expenses	
	Charges for Services	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Airports	\$ 434,489	\$ 404,442	\$ 38,239	\$ 64,303	\$ 472,728	\$ 468,745	\$ 350,041	\$ 346,699	\$ 122,687	\$ 122,046	
Harbors	123,209	121,038	284	-	123,493	121,038	87,031	89,327	36,462	31,711	
Unemployment compensation	239,375	353,546	-	-	239,375	353,546	186,893	244,947	52,482	108,599	
Nonmajor proprietary funds	115,643	82,941	33,617	34,325	149,260	117,266	112,209	87,031	37,051	30,235	
Total	\$ 912,716	\$ 961,967	\$ 72,140	\$ 98,628	\$ 984,856	\$ 1,060,595	\$ 736,174	\$ 768,004	\$ 248,682	\$ 292,591	

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Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. The fund balance classifications comprise a hierarchy based primarily on the extent the State is bound to honor constraints on the specific purpose for which amounts can be spent.

At the end of the fiscal year, the State's Governmental Funds reported combined ending fund balances of \$2.5 billion. Of this amount, \$25.4 million is restricted for specific programs by external constraints, constitutional provisions or contractual obligations. An additional \$449.3 million has been committed to specific purposes. An additional \$1.2 billion has been assigned to specific purposes by management. The unassigned fund balance was \$807.1 million at fiscal year end. This amount includes a deficit of a negative unrestricted fund balance of \$538.7 million in the Capital Projects Fund, which indicates that the fund spent or committed more than what was expendable.

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the total fund balance of the General Fund was \$1.6 billion compared to \$1.3 billion in fiscal 2014. This increase is mainly attributed to the increase in tax revenues. The fund balance of the State's Capital Projects Fund increased \$6.9 million during the fiscal year. The Capital Projects Fund deficit is the result of the State's policy of recording expenditures upon the allotment of general obligation bond appropriations expended by component units and incurring general obligation bond expenditures in excess of cash available. The deficit caused by the recording of expenditures when funds are allotted is \$643.0 million and is reflected on the balance sheet as Due to Component Units. The fund balance of the Med-Quest Special Fund decreased \$9.7 million and other Nonmajor Governmental Funds increased \$234.1 million.

Proprietary Funds

The State's Proprietary Funds provide the same type of information found in the Government-Wide financial statements, but in more detail. At the end of the current fiscal year, Airports had an increase in net position of \$127.5 million, Harbors had an increase in net position of \$37.9 million, the Unemployment Compensation Fund had an increase in net position of \$62.7 million, and the Nonmajor Proprietary Funds had an increase in net position of \$38.1 million. Other factors concerning the finances of Airports, Harbors, the Unemployment Compensation Fund, and the Nonmajor Proprietary Funds have already been addressed in the discussion of the State's business-type activities.

General Fund Budgetary Highlights

The General Fund revenues were \$166.3 million, or 2.6%, more than the final budget. The positive variance was attributed to higher tax revenues of \$70.1 million and non-tax revenues of \$96.2 million. Individual income taxes collected was \$100.4 million more than what was projected offset by lower collections in corporate income and franchise taxes of \$24.0 million and \$23.6 million, respectively. The increase in other revenues was mainly comprised of reimbursements to the General Fund by the Medquest program which totaled \$78.9 million in fiscal 2015 compared to \$10.7 million in fiscal 2014. \$21.8 million of the \$31.3 million positive variance in charges for current services was related to assessments for health fund premiums charged to non-general funded programs.

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The difference between the final budget and actual expenditures on a budgetary basis was \$266.9 million. The large positive variance in general government of \$162.8 million was mostly due to \$69.4 million savings in health premiums and retirement payments due to lower than projected employee growth and enrollment in the State's health plans.

Also contributing to the positive variance was \$42.0 million in savings due to debt restructuring and \$18.3 million of appropriations made to the State Legislature that can be carried over to the next fiscal year. As in previous years, the positive variance in lower education resulted when the Department of Education carried over \$45.9 million of unencumbered appropriations into the next fiscal year. The Department of Education is allowed by statute to carry up to 5% of its unencumbered appropriations. Spending restrictions of \$37.7 million imposed on all executive branch departments resulted in positive variances across all functions of government

Capital Asset and Debt Administration

The State's capital assets for its governmental and business-type activities as of June 30, 2015, amounted to \$12.2 billion (net of accumulated depreciation of \$10.9 billion), an increase of \$515.5 million from fiscal 2014. The increase is due to an increase in governmental activities assets of \$628.5 million and in business-type assets of \$424.7 million offset by increases in governmental activities and business-type activities accumulated depreciation of \$430.6 million and \$107.1 million, respectively. Major capital improvement projects, which received funding in the fiscal year ended June 30, 2015, included the following:

- \$282.9 million for various capital improvement projects and repairs and maintenance of public school facilities throughout the State.
- \$171.0 million for various construction, maintenance and renovation projects at various University of Hawaii campuses.
- \$40.4 million for various health and safety renovation projects at state community hospitals.
- \$26.0 million for renovations and improvements to federal and state low income housing projects.
- \$30.0 million for the planning, design, development and hardware for the modernization of the enterprise resource project and tax system.

Additional information on the State's capital assets can be found in Note 3 to the basic financial statements.

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Debt Administration

At the end of the current fiscal year, the State had total bonded debt outstanding of \$8.4 billion. Of this amount, \$6.5 billion comprises debt backed by the full faith and credit of the State and \$1.9 billion (i.e., revenue bonds) is revenue bonded debt that is payable from and secured solely by the specified revenue sources. A breakdown of the State's total bonded debt is shown below:

Long-Term Debt
June 30, 2015 and 2014
(Amounts in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 6,503,281	\$ 5,784,139	\$ 29,332	\$ 31,176	\$ 6,532,613	\$ 5,815,315
Revenue bonds	666,202	412,725	1,218,943	1,278,137	1,885,145	1,690,862
Total	\$ 7,169,483	\$ 6,196,864	\$ 1,248,275	\$ 1,309,313	\$ 8,417,758	\$ 7,506,177

The State's total long-term debt increased by \$911.6 million, or 12.1%, during the current fiscal year. The increase resulted from declining principal balances in revenue bonds of the State's business-type activities, and partially offset by issuances of GO bonds (see Notes 4 and 5 to the basic financial statements).

As of June 30, 2015, the State's underlying general obligation bond ratings were Moody's Investors Service (Aa2), Standard and Poor's Corporation (AA) and Fitch Ratings (AA) based on the credit of the State.

The State Constitution limits the amount of general obligation bonds that may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit. The legal debt margin at June 30, 2015 was \$470.6 million.

Additional information on the State's long-term debt can be found in Notes 4, 5 and 6 to the basic financial statements.

Other Post-Employment Benefits (OPEB)

The State implemented provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for fiscal year ended June 30, 2008.

The latest actuarial valuation studies were completed as of July 1, 2013 for the Employer-Union Health Benefits Trust Fund (EUTF) and the University of Hawaii. These studies determined the State's combined unfunded actuarial accrued liability to be approximately \$8.5 billion. The State's combined annual OPEB cost for fiscal 2015 was \$789.0 million and its OPEB contributions were \$393.4 million, resulting in an increase in the net OPEB obligation of \$395.6 million. The total net OPEB obligation balance at fiscal year-end increased to \$4.7 billion.

In July 2013, Act 268 was signed into law, which established the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability. The law also requires the State beginning in fiscal 2015 to pay additional amounts towards reducing the unfunded liability until fiscal 2019 when 100% of the annual required contribution must be paid. Commencing fiscal year 2019, general excise tax revenues will be used to fund any difference between the annual required contribution and the payment made by the State. In June 2014 and 2015, the state made additional payments in the amount of \$100 million and \$117 million, respectively.

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Economic Factors and Next Year's Budget

The statewide seasonally adjusted unemployment rate for November 2015 was 3.2% while the seasonally adjusted national unemployment rate was 5.0%. One year ago, the State's seasonally adjusted unemployment rate stood at 4.0% while the seasonally adjusted national unemployment rate was 5.8%.

The Council of Revenues in September 2015 revised the State's General Fund tax revenue growth rate for fiscal year 2016 from 2.7% to 6.0% and also adjusted the revenue growth rate for fiscal year 2017 to 5.5%.

Cumulative general fund tax revenues for the first five months of fiscal 2015 was \$2.5 billion, an increase of \$213.7 million from the same period last fiscal year. General excise and use tax collections, which are the largest source of revenue and a good measure of economic growth, increased 4.9%.

The State is optimistic about the recovery of Hawaii's economy but remains cautious about its sustainability in the face of numerous uncertainties. Therefore, the Governor has imposed a 10% spending restriction on discretionary operating expenses of general funds for all departments and agencies of the Executive Branch for fiscal year 2016.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Department of Accounting and General Services, P.O. Box 119, Honolulu, Hawaii 96810-0119. General information about the State can be found at the State's website: <http://www.hawaii.gov>.

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BASIC FINANCIAL STATEMENTS

State of Hawaii
Statement of Net Position
June 30, 2015
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 692,851	\$ 1,386,755	\$ 2,079,606	\$ 545,406
Receivables				
Taxes	524,236	58,185	582,421	-
Accounts and accrued interest, net	-	36,135	36,135	197,924
Notes, loans, mortgages and contributions, net	72,874	450,583	523,457	594,301
Federal government	164,480	6,865	171,345	2,284
Premiums	-	85,368	85,368	-
Drug rebate	35,536	-	35,536	-
Other, net	38,026	12,791	50,817	11,175
Total receivables	835,152	649,927	1,485,079	805,684
Internal balances	1,617	(1,617)	-	-
Due from component units	288,637	-	288,637	-
Due from primary government	-	-	-	653,683
Investments	2,369,290	12,643	2,381,933	974,266
Inventories				
Materials and supplies	-	257	257	30,175
Developments in progress and dwelling units	-	-	-	10,483
Total inventories	-	257	257	40,658
Restricted assets	-	853,060	853,060	160,920
Other assets				
Prepaid expenses	5,211	5,414	10,625	15,960
Other	26,129	17,062	43,191	20,921
Total other assets	31,340	22,476	53,816	36,881
Capital assets				
Land and land improvements	2,267,218	1,887,240	4,154,458	509,702
Infrastructure	9,333,014	-	9,333,014	218,690
Construction in progress	1,050,026	824,834	1,874,860	321,344
Buildings, improvements and equipment	4,944,853	2,613,974	7,558,827	4,510,984
Intangible assets – software	113,457	-	113,457	-
Accumulated depreciation and amortization	(8,531,676)	(2,336,716)	(10,868,392)	(2,361,649)
Total capital assets, net	9,176,892	2,989,332	12,166,224	3,199,071
Total assets	13,395,779	5,912,833	19,308,612	6,416,569
Deferred outflows of resources				
Deferred loss on refunding	97,768	7,839	105,607	5,754
Deferred outflows on net pension liability	485,333	19,023	504,356	207,928
Total deferred outflows of resources	\$ 583,101	\$ 26,862	\$ 609,963	\$ 213,682

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Statement of Net Position
June 30, 2015
(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Vouchers and contracts payable	\$ 352,212	\$ 41,324	\$ 393,536	\$ 164,361
Other accrued liabilities	358,728	118,032	476,760	101,418
Due to component units	653,683	-	653,683	-
Due to primary government	-	-	-	288,637
Due to federal government	30,987	-	30,987	-
Unearned revenue	-	4,278	4,278	49,460
Premiums payable	-	43,958	43,958	-
Other	87,777	-	87,777	16,430
Long-term liabilities				
Due within one year				
Payable from restricted assts – revenue bonds payable, net	-	50,190	50,190	-
Prepaid airport use charge fund	-	4,000	4,000	-
General obligation (GO) bonds payable	483,696	1,932	485,628	-
Notes, mortgages and installment contracts payable	-	-	-	1,726
Accrued vacation and retirement benefits payable	78,605	4,380	82,985	49,005
Revenue bonds payable, net	48,765	-	48,765	36,313
Reserve for losses and loss adjustment costs	28,361	1,272	29,633	9,151
Capital lease obligations	6,984	-	6,984	9,484
Due more than one year				
Prepaid airport use charge fund	-	9,245	9,245	-
GO bonds payable	6,019,585	27,400	6,046,985	-
Notes, mortgages and installment contracts payable	-	-	-	63,401
Accrued vacation and retirement benefits payable	141,268	9,386	150,654	67,775
Revenue bonds payable, net	617,437	1,168,753	1,786,190	845,279
Reserve for losses and loss adjustment costs	121,815	3,373	125,188	20,140
Capital lease obligations	89,191	-	89,191	14,455
Lease revenue certificates of participation	-	172,864	172,864	-
Unearned revenue	-	-	-	21,713
Estimated future costs of land sold	-	-	-	37,540
Loan payable	-	34,910	34,910	-
Net pension liability	3,910,574	137,308	4,047,882	1,710,443
Other postemployment benefit liability	3,597,751	95,383	3,693,134	1,015,084
Other	415	-	415	50,740
Total liabilities	16,627,834	1,927,988	18,555,822	4,572,555
Deferred inflows of resources				
Deferred inflows on net pension liability	458,463	15,446	473,909	222,698
Total deferred inflows of resources	458,463	15,446	473,909	222,698
Net position				
Net investment in capital assets	2,826,649	1,773,613	4,600,262	2,311,648
Restricted for				
Capital maintenance projects	201,250	-	201,250	-
Health and welfare	157,844	-	157,844	-
Natural resources	138,897	-	138,897	-
Native Hawaiian programs	319,622	-	319,622	-
Education	147,043	-	147,043	-
Regulatory and economic development	264,795	-	264,795	-
Administrative support	178,395	-	178,395	-
Other purposes	37,943	-	37,943	-
Bond requirements and other	35	1,227,441	1,227,476	1,059,482
Unrestricted	(7,379,890)	995,207	(6,384,683)	(1,536,132)
Total net position	\$ (3,107,417)	\$ 3,996,261	\$ 888,844	\$ 1,834,998

State of Hawaii
Statement of Activities
Year Ended June 30, 2015
(Amounts in thousands)

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 595,278	\$ 248,915	\$ 35,567	\$ -	\$ (310,796)	\$ -	\$ (310,796)	
Public safety	504,343	49,188	59,732	-	(395,423)	-	(395,423)	
Highways	426,142	11,727	8,075	139,977	(266,363)	-	(266,363)	
Conservation of natural resources	89,176	57,118	33,517	-	1,459	-	1,459	
Health	871,563	136,547	116,419	-	(618,597)	-	(618,597)	
Welfare	3,196,602	89,450	2,203,738	-	(903,414)	-	(903,414)	
Lower education	2,729,789	46,965	259,500	-	(2,423,324)	-	(2,423,324)	
Higher education	761,837	-	-	-	(761,837)	-	(761,837)	
Other education	21,664	-	-	-	(21,664)	-	(21,664)	
Culture and recreation	84,265	8,704	5,287	-	(70,274)	-	(70,274)	
Urban redevelopment and housing	115,653	22,197	25,462	-	(67,994)	-	(67,994)	
Economic development and assistance	179,485	28,750	62,163	-	(88,572)	-	(88,572)	
Interest expense	247,059	-	-	-	(247,059)	-	(247,059)	
Total governmental activities	<u>\$ 9,822,856</u>	<u>699,561</u>	<u>2,809,460</u>	<u>139,977</u>	<u>(6,173,858)</u>	<u>-</u>	<u>(6,173,858)</u>	
Business-type activities								
Airports	350,041	434,489	-	38,239	-	122,687	122,687	
Harbors	87,031	123,209	-	284	-	36,462	36,462	
Unemployment compensation	186,893	239,375	-	-	-	52,482	52,482	
Nonmajor proprietary funds	112,209	115,643	-	33,617	-	37,051	37,051	
Total business-type activities	<u>\$ 736,174</u>	<u>912,716</u>	<u>-</u>	<u>72,140</u>	<u>-</u>	<u>248,682</u>	<u>248,682</u>	
Total primary government	<u>\$ 10,559,030</u>	<u>\$ 1,612,277</u>	<u>\$ 2,809,460</u>	<u>\$ 212,117</u>	<u>(6,173,858)</u>	<u>248,682</u>	<u>(5,925,176)</u>	
Component units								
University of Hawaii	\$ 1,653,892	\$ 400,543	\$ 452,404	\$ -			\$ (800,945)	
Hawaii Housing Finance and Development Corporation	46,582	74,092	9,465	-			36,975	
Hawaii Public Housing Authority	141,525	19,906	80,031	10,877			(30,711)	
Hawaii Health Systems Corporation	765,578	620,538	2,261	48,163			(94,616)	
Hawaii Tourism Authority	106,189	6,367	-	-			(99,822)	
Hawaii Community Development Authority	9,610	9,929	-	-			319	
Hawaii Hurricane Relief Fund	5	-	-	-			(5)	
Total component units	<u>\$ 2,723,381</u>	<u>\$ 1,131,375</u>	<u>\$ 544,161</u>	<u>\$ 59,040</u>			<u>(988,805)</u>	
General revenues								
Taxes								
General excise tax					3,021,418	-	3,021,418	-
Net income tax – corporations and individuals					2,073,015	-	2,073,015	-
Public service companies tax					163,481	-	163,481	-
Transient accommodations tax					202,345	-	202,345	115,000
Tobacco and liquor tax					165,137	-	165,137	-
Liquid fuel tax					88,449	-	88,449	-
Tax on premiums of insurance companies					147,767	-	147,767	-
Vehicle weight and registration tax					125,113	-	125,113	-
Rental motor/tour vehicle surcharge tax					51,941	-	51,941	-
Franchise tax					19,930	-	19,930	-
Other tax					76,222	-	76,222	-
Interest and investment income					16,024	17,567	33,591	8,032
Payments from the primary government, net					-	-	-	980,204
Gifts and subsidies					-	-	-	45,409
Other					-	-	-	(8,754)
Total general revenues					<u>6,150,842</u>	<u>17,567</u>	<u>6,168,409</u>	<u>1,139,891</u>
Change in net position					<u>(23,016)</u>	<u>266,249</u>	<u>243,233</u>	<u>151,086</u>
Net position								
Beginning of year, as previously reported					804,833	3,865,434	4,670,267	3,413,846
Adjustment for change in accounting principle					(3,889,234)	(135,422)	(4,024,656)	(1,729,934)
Beginning of year, as restated					<u>(3,084,401)</u>	<u>3,730,012</u>	<u>645,611</u>	<u>1,683,912</u>
End of year					<u>\$ (3,107,417)</u>	<u>\$ 3,996,261</u>	<u>\$ 888,844</u>	<u>\$ 1,834,998</u>

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Governmental Funds
Balance Sheet
June 30, 2015
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 203,687	\$ 33,855	\$ 12,923	\$ 442,386	\$ 692,851
Receivables					
Taxes	524,236	-	-	-	524,236
Notes and loans, net of allowance for doubtful accounts of \$44,489	1,433	-	-	71,441	72,874
Federal government	-	-	164,480	-	164,480
Drug rebate	-	-	35,536	-	35,536
Medical assistance	-	-	2,801	-	2,801
Other	8,025	-	-	-	8,025
Due from other funds	327,382	-	-	35	327,417
Due from proprietary funds	20	1,597	-	-	1,617
Due from component units	35,200	-	-	-	35,200
Investments	920,042	264,069	58,872	1,126,307	2,369,290
Other assets	16,031	-	-	-	16,031
Total assets	\$ 2,036,056	\$ 299,521	\$ 274,612	\$ 1,640,169	\$ 4,250,358
Liabilities and Fund Balances					
Liabilities					
Vouchers and contracts payable	\$ 162,667	\$ 105,223	\$ 2,789	\$ 81,533	\$ 352,212
Other accrued liabilities	243,289	-	79,269	36,481	359,039
Due to federal government	-	-	-	30,987	30,987
Due to other funds	35	89,900	191,793	45,689	327,417
Due to component units	1,546	643,040	-	-	644,586
Unearned revenue	39,224	-	-	-	39,224
Payable from restricted assets					
Matured bonds and interest payable	-	-	-	415	415
Total liabilities	<u>\$ 446,761</u>	<u>\$ 838,163</u>	<u>\$ 273,851</u>	<u>\$ 195,105</u>	<u>\$ 1,753,880</u>
Fund balances					
Restricted	-	-	-	25,370	25,370
Committed	-	-	-	449,290	449,290
Assigned	205,242	-	761	1,008,742	1,214,745
Unassigned	<u>1,384,053</u>	<u>(538,642)</u>	<u>-</u>	<u>(38,338)</u>	<u>807,073</u>
Total fund balances	<u>\$ 1,589,295</u>	<u>(538,642)</u>	<u>761</u>	<u>1,445,064</u>	<u>2,496,478</u>
Total liabilities and fund balances	<u>\$ 2,036,056</u>	<u>\$ 299,521</u>	<u>\$ 274,612</u>	<u>\$ 1,640,169</u>	<u>\$ 4,250,358</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net Position

June 30, 2015

(Amounts in thousands)

Total fund balance – Governmental funds	\$ 2,496,478
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of	
Land and land improvements	2,267,218
Infrastructure	9,333,014
Construction in progress	1,050,026
Buildings, improvements and equipment	4,944,853
Intangible assets – software	113,457
Accumulated depreciation and amortization	<u>(8,531,676)</u>
	9,176,892
Accrued interest and other payables are not recognized in governmental funds.	<u>(87,776)</u>
Other assets are not available to pay for current-period expenditures and are not recognized in governmental funds, such as unearned revenue and settlement receivables.	<u>335,480</u>
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of	
General obligation bonds payable	(6,503,281)
Accrued vacation payable	(219,873)
Revenue bonds payable	(666,202)
Reserve for losses and loss adjustment costs	(150,176)
Other postemployment benefit liability	(3,597,751)
Net pension liability	(3,910,574)
Long-term transactions with component units	(9,097)
Capital lease obligations	<u>(96,175)</u>
	<u>(15,153,129)</u>
Deferred outflows of resources benefit future periods and are not reported in the funds. Those deferred outflows consist of	
Deferred loss on refunding	97,768
Deferred outflows on net pension liability	<u>485,333</u>
	<u>583,101</u>
Deferred inflows of resources benefit future periods and are not reported in the funds. Those deferred inflows consist of deferred inflows on the net pension liability.	<u>(458,463)</u>
Net position of governmental activities	<u>\$ (3,107,417)</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015
(Amounts in thousands)

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
General excise tax	\$ 3,021,418	\$ -	\$ -	\$ -	\$ 3,021,418
Net income tax – corporations and individuals	2,047,327	-	-	-	2,047,327
Public service companies tax	163,481	-	-	-	163,481
Transient accommodations tax	202,345	-	-	-	202,345
Tobacco and liquor tax	133,110	-	-	32,027	165,137
Liquid fuel tax	-	-	-	88,449	88,449
Tax on premiums of insurance companies	145,672	-	-	2,095	147,767
Vehicle weight and registration tax	-	-	-	125,113	125,113
Rental motor/vehicle surcharge tax	1	-	-	51,940	51,941
Franchise tax	17,930	-	-	2,000	19,930
Other	38,539	-	-	37,683	76,222
Total taxes	5,769,823	-	-	339,307	6,109,130
Interest and investment income	7,531	-	-	8,493	16,024
Charges for current services	135,168	-	-	249,212	384,380
Intergovernmental	14,192	-	1,338,883	1,450,914	2,803,989
Rentals	176	-	-	30,951	31,127
Fines, forfeitures and penalties	22,874	-	-	14,327	37,201
Licenses and fees	1,091	-	-	41,372	42,463
Revenues from private sources	3,389	-	57,664	60,313	121,366
Other	45,960	-	54,920	90,592	191,472
Total revenues	6,000,204	-	1,451,467	2,285,481	9,737,152
Expenditures					
Current					
General government	440,602	73,412	-	59,806	573,820
Public safety	343,368	17,024	-	124,568	484,960
Highways	-	219,434	-	236,129	455,563
Conservation of natural resources	42,706	36,359	-	66,451	145,516
Health	587,358	62,731	-	205,708	855,797
Welfare	1,092,243	2,787	1,389,180	708,597	3,192,807
Lower education	2,040,751	188,123	-	390,282	2,619,156
Higher education	600,015	161,822	-	-	761,837
Other education	6,902	-	-	14,762	21,664
Culture and recreation	43,770	12,686	-	40,220	96,676
Urban redevelopment and housing	11,764	358	-	59,262	71,384
Economic development and assistance	28,889	47,071	-	100,959	176,919
Housing	20,835	27,730	-	-	48,565
Other	7,247	-	-	7,932	15,179
Debt service	-	-	-	734,315	734,315
Total expenditures	5,266,450	849,537	1,389,180	2,748,991	10,254,158
Excess (deficiency) of revenues over (under) expenditures	733,754	(849,537)	62,287	(463,510)	(517,006)
Other financing sources (uses)					
Issuance of GO and refunding GO bonds – par	-	600,000	-	408,775	1,008,775
Issuance of GO and refunding GO bonds – premium	131,187	-	-	41,893	173,080
Issuance of revenue and refunding revenue bonds – par	-	103,375	-	210,305	313,680
Issuance of revenue and refunding revenue bonds – premium	-	17,309	-	5,865	23,174
Payment to refunded bond escrow agent	-	-	-	(516,839)	(516,839)
Transfers in	138,955	166,863	8,060	857,394	1,171,272
Transfers out	(750,264)	(31,150)	(80,052)	(309,806)	(1,171,272)
Total other financing sources (uses)	(480,122)	856,397	(71,992)	697,587	1,001,870
Net change in fund balances	253,632	6,860	(9,705)	234,077	484,864
Fund balances					
Beginning of year	1,335,663	(545,502)	10,466	1,210,987	2,011,614
End of year	\$ 1,589,295	\$ (538,642)	\$ 761	\$ 1,445,064	\$ 2,496,478

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities Year Ended June 30, 2015 (Amounts in thousands)

Total net change in fund balances – Governmental funds	<u>\$ 484,864</u>
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds; however, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
In the current period, these amounts are	
Capital outlay, net of disposals	657,372
Depreciation expense	<u>(459,410)</u>
Excess of capital outlay over depreciation expense	<u>197,962</u>
Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.	
In the current period, this is the amount of proceeds received from general obligation and revenue bonds issued.	
	<u>(1,476,793)</u>
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
In the current year, these amounts consist of	
Bond principal retirement	924,281
Capital lease additions, net	<u>6,447</u>
Total long-term debt repayment	<u>930,728</u>
Because some revenues will not be collected for several months after the State's fiscal year end, they are not considered available revenues and are deferred in the governmental funds.	
	<u>25,688</u>
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in postemployment liability	(270,438)
Change in accrued vacation payable	6,925
Change in reserve for losses and loss adjustment costs	(3,056)
Change in accrued interest on bonds payable	(7,389)
Change in accrued interest on capital leases	(1,746)
Amortization of bond premium and deferred amount on refunding	84,710
Net pension activity	<u>5,529</u>
Total	<u>(185,465)</u>
Change in net position of governmental activities	<u>\$ (23,016)</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2015
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Assets					
Current assets					
Cash and cash equivalents	\$ 550,385	\$ 204,477	\$ 435,534	\$ 196,359	\$ 1,386,755
Investments	-	-	-	12,643	12,643
Restricted assets – cash and short-term investments	75,689	34,250	-	-	109,939
Receivables					
Taxes	395	-	57,790	-	58,185
Accounts and accrued interest, net of allowance for doubtful accounts of \$5,196	24,495	10,886	-	754	36,135
Promissory note receivable, net of allowance for doubtful accounts of \$3,786	-	-	-	35,060	35,060
Federal government	6,563	-	-	302	6,865
Premiums	-	-	-	85,368	85,368
Other	2,570	489	-	9,732	12,791
Materials and supplies inventory	194	63	-	-	257
Prepaid expenses and other assets	-	22	-	5,392	5,414
Total current assets	<u>660,291</u>	<u>250,187</u>	<u>493,324</u>	<u>345,610</u>	<u>1,749,412</u>
Noncurrent assets					
Capital assets					
Land and land improvements	1,352,308	534,932	-	-	1,887,240
Construction in progress	726,750	98,084	-	-	824,834
Buildings and improvements	1,833,970	457,530	-	-	2,291,500
Equipment	<u>290,858</u>	<u>19,109</u>	<u>-</u>	<u>12,507</u>	<u>322,474</u>
	<u>4,203,886</u>	<u>1,109,655</u>	<u>-</u>	<u>12,507</u>	<u>5,326,048</u>
Less: Accumulated depreciation	<u>(1,998,093)</u>	<u>(329,165)</u>	<u>-</u>	<u>(9,458)</u>	<u>(2,336,716)</u>
Net capital assets	<u>2,205,793</u>	<u>780,490</u>	<u>-</u>	<u>3,049</u>	<u>2,989,332</u>
Promissory note receivable	-	-	-	415,523	415,523
Restricted assets – net direct financing leases	21,878	-	-	-	21,878
Restricted assets – cash and cash equivalents	424,896	164,633	-	-	589,529
Restricted assets – investments	131,714	-	-	-	131,714
Other	9,624	-	-	7,438	17,062
Total noncurrent assets	<u>2,793,905</u>	<u>945,123</u>	<u>-</u>	<u>426,010</u>	<u>4,165,038</u>
Total assets	<u>3,454,196</u>	<u>1,195,310</u>	<u>493,324</u>	<u>771,620</u>	<u>5,914,450</u>
Deferred outflows of resources					
Deferred loss on refunding	3,949	3,890	-	-	7,839
Deferred outflows on net pension liability	<u>15,203</u>	<u>2,743</u>	<u>-</u>	<u>1,077</u>	<u>19,023</u>
Total deferred outflows of resources	<u>\$ 19,152</u>	<u>\$ 6,633</u>	<u>\$ -</u>	<u>\$ 1,077</u>	<u>\$ 26,862</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Proprietary Funds
Statement of Fund Net Position
June 30, 2015
(Amounts in thousands)

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Liabilities					
Current liabilities					
Vouchers and contracts payable	\$ 29,220	\$ 6,666	\$ 4,338	\$ 1,100	\$ 41,324
Payable from restricted assets – contracts payable, accrued interest and other	69,851	24,321	-	-	94,172
Other accrued liabilities	16,605	-	-	2,797	19,402
Due to primary government	-	1,617	-	-	1,617
Benefit claims payable	-	-	-	4,458	4,458
Prepaid airport use charge fund	4,000	-	-	-	4,000
Unearned revenue	4,278	-	-	-	4,278
General obligation bonds payable, current portion	-	1,932	-	-	1,932
Reserve for losses and loss adjustment costs	1,201	71	-	-	1,272
Accrued vacation, current portion	3,483	675	-	222	4,380
Payable from restricted assets – revenue bond payable	35,725	14,465	-	-	50,190
Premiums payable	-	-	-	43,958	43,958
Total current liabilities	<u>164,363</u>	<u>49,747</u>	<u>4,338</u>	<u>52,535</u>	<u>270,983</u>
Noncurrent liabilities					
General obligation bonds payable	-	27,400	-	-	27,400
Accrued vacation	7,255	1,558	-	573	9,386
Revenue bonds payable, net of unamortized bond premium and bond discount	844,990	323,763	-	-	1,168,753
Reserve for losses and loss adjustment cost	3,061	312	-	-	3,373
Lease revenue certificates of participation	172,864	-	-	-	172,864
Loans payable	34,910	-	-	-	34,910
Net pension liability	108,698	21,595	-	7,015	137,308
Other postemployment benefit liability	75,430	15,292	-	4,661	95,383
Prepaid airport use charge fund	9,245	-	-	-	9,245
Total long-term liabilities	<u>1,256,453</u>	<u>389,920</u>	<u>-</u>	<u>12,249</u>	<u>1,658,622</u>
Total liabilities	<u>1,420,816</u>	<u>439,667</u>	<u>4,338</u>	<u>64,784</u>	<u>1,929,605</u>
Deferred inflows of resources					
Deferred inflows on net pension liability	<u>11,831</u>	<u>2,520</u>	<u>-</u>	<u>1,095</u>	<u>15,446</u>
Total deferred inflows of resources	<u>11,831</u>	<u>2,520</u>	<u>-</u>	<u>1,095</u>	<u>15,446</u>
Net position					
Net investment in capital assets	1,241,986	528,581	-	3,046	1,773,613
Restricted for bond requirements and other	510,518	73,587	-	643,336	1,227,441
Unrestricted	288,197	157,588	488,986	60,436	995,207
Net position	<u>\$ 2,040,701</u>	<u>\$ 759,756</u>	<u>\$ 488,986</u>	<u>\$ 706,818</u>	<u>\$ 3,996,261</u>

**State of Hawaii
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
Year Ended June 30, 2015
(Amounts in thousands)**

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Operating revenues					
Concession fees	\$ 148,835	\$ -	\$ -	\$ -	\$ 148,835
Unemployment compensation	-	-	239,375	-	239,375
Aviation fuel tax	4,455	-	-	-	4,455
Airport use charges	59,659	-	-	-	59,659
Rentals	112,670	23,413	-	-	136,083
Services and others	-	98,435	-	-	98,435
Administrative fees	-	-	-	3,434	3,434
Premium revenue – self insurance	-	-	-	73,141	73,141
Increase in premium reserves	-	-	-	36,527	36,527
Other	6,320	1,361	-	2,541	10,222
Total operating revenues	<u>331,939</u>	<u>123,209</u>	<u>239,375</u>	<u>115,643</u>	<u>810,166</u>
Operating expenses					
Personnel services	142,661	17,687	-	7,138	167,486
Depreciation and amortization	88,434	23,336	-	1,570	113,340
Repairs and maintenance	45,665	2,243	-	122	48,030
Airports operations	46,907	-	-	-	46,907
Harbors operations	-	18,541	-	-	18,541
Fireboat operations	-	33	-	-	33
General administration	17,646	8,301	-	4,624	30,571
Unemployment compensation	-	-	186,893	-	186,893
Claims	-	-	-	78,890	78,890
Other	675	-	-	19,865	20,540
Total operating expenses	<u>341,988</u>	<u>70,141</u>	<u>186,893</u>	<u>112,209</u>	<u>711,231</u>
Operating income (loss)	<u>(10,049)</u>	<u>53,068</u>	<u>52,482</u>	<u>3,434</u>	<u>98,935</u>
Nonoperating revenues (expenses)					
Interest and investment income	4,819	1,454	10,235	1,059	17,567
Interest expense	(24,071)	(16,890)	-	-	(40,961)
Federal grants	1,558	-	-	-	1,558
Gain (loss) on disposal of capital assets	(2,482)	-	-	-	(2,482)
Rental car customer and passenger facility charges	103,154	-	-	-	103,154
Debt service support charges	18,500	-	-	-	18,500
Other	(604)	-	-	-	(604)
Total nonoperating revenues (expenses)	<u>100,874</u>	<u>(15,436)</u>	<u>10,235</u>	<u>1,059</u>	<u>96,732</u>
Income before capital contributions	<u>90,825</u>	<u>37,632</u>	<u>62,717</u>	<u>4,493</u>	<u>195,667</u>
Capital contributions	<u>36,681</u>	<u>284</u>	<u>-</u>	<u>33,617</u>	<u>70,582</u>
Change in net position	<u>127,506</u>	<u>37,916</u>	<u>62,717</u>	<u>38,110</u>	<u>266,249</u>
Net position					
Beginning of year, as previously reported	<u>2,020,599</u>	<u>743,291</u>	<u>426,269</u>	<u>675,275</u>	<u>3,865,434</u>
Adjustment for change in accounting principle	<u>(107,404)</u>	<u>(21,451)</u>	<u>-</u>	<u>(6,567)</u>	<u>(135,422)</u>
Beginning of year, as restated	<u>1,913,195</u>	<u>721,840</u>	<u>426,269</u>	<u>668,708</u>	<u>3,730,012</u>
End of year	<u>\$ 2,040,701</u>	<u>\$ 759,756</u>	<u>\$ 488,986</u>	<u>\$ 706,818</u>	<u>\$ 3,996,261</u>

The accompanying notes are an integral part of the basic financial statements.

**State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015
(Amounts in thousands)**

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Cash flows from operating activities					
Cash received from customers	\$ 331,688	\$ 121,800	\$ -	\$ -	\$ 453,488
Cash received from taxes	-	-	240,464	-	240,464
Cash received from employees for premiums and benefits	-	-	-	522,997	522,997
Cash paid to suppliers	(171,586)	(28,342)	-	(6,717)	(206,645)
Cash paid to employees	(64,545)	(15,713)	-	(3,937)	(84,195)
Cash paid for unemployment compensation	-	-	(183,915)	-	(183,915)
Cash paid for premiums and benefits payable	-	-	-	(536,452)	(536,452)
Other cash receipts	-	-	9,702	-	9,702
Net cash provided by (used in) operating activities	<u>95,557</u>	<u>77,745</u>	<u>66,251</u>	<u>(24,109)</u>	<u>215,444</u>
Cash flows from noncapital financing activities					
State capital contributions	-	-	-	4,025	4,025
Proceeds from federal operating grants	-	-	-	29,174	29,174
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,199</u>	<u>33,199</u>
Cash flows from capital and related financing activities					
Acquisition and construction of capital assets	(276,502)	(52,844)	-	-	(329,346)
Repayment of general obligation and revenue bonds principal	(34,210)	(15,349)	-	-	(49,559)
Interest paid on bonds	(42,013)	(19,181)	-	-	(61,194)
Interest paid on loan payable	(442)	-	-	-	(442)
Net proceeds from loan payable	34,910	-	-	-	34,910
Proceeds from passenger facility charges program	36,939	-	-	-	36,939
Proceeds from rental car customer facility charges program	64,367	-	-	-	64,367
Payments for rental car customer facility charges program	(44,458)	-	-	-	(44,458)
Payments for passenger facility charges program	(26,801)	-	-	-	(26,801)
Interest paid on lease revenue certificates of participation	(9,316)	-	-	-	(9,316)
Payments – other	(602)	-	-	-	(602)
Purchase of equipment	-	-	-	(500)	(500)
Proceeds from federal, state, and capital grants and contributions	<u>41,629</u>	<u>285</u>	<u>-</u>	<u>-</u>	<u>41,914</u>
Net cash used in capital and related financing activities	<u>(256,499)</u>	<u>(87,089)</u>	<u>-</u>	<u>(500)</u>	<u>(344,088)</u>
Cash flows from investing activities					
Purchase of investments	(193,786)	-	-	(5,852)	(199,638)
Principal repayments on notes receivable	-	-	-	33,517	33,517
Disbursement of note receivable proceeds	-	-	-	(75,045)	(75,045)
Interest income from notes receivable	-	-	-	2,436	2,436
Administrative loan fees	-	-	-	3,395	3,395
Proceeds from sales and maturities of investments	309,032	-	-	-	309,032
Interest from and change in fair value of investments	<u>3,035</u>	<u>1,178</u>	<u>10,236</u>	<u>1,002</u>	<u>15,451</u>
Net cash provided by (used in) investing activities	<u>118,281</u>	<u>1,178</u>	<u>10,236</u>	<u>(40,547)</u>	<u>89,148</u>
Net increase (decrease) in cash and cash equivalents	<u>(42,661)</u>	<u>(8,166)</u>	<u>76,487</u>	<u>(31,957)</u>	<u>(6,297)</u>
Cash and short-term investments, including restricted amounts					
Beginning of year	<u>1,093,631</u>	<u>411,526</u>	<u>359,047</u>	<u>228,316</u>	<u>2,092,520</u>
End of year	<u>\$ 1,050,970</u>	<u>\$ 403,360</u>	<u>\$ 435,534</u>	<u>\$ 196,359</u>	<u>\$ 2,086,223</u>

(continued)

The accompanying notes are an integral part of the basic financial statements.

**State of Hawaii
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2015
(Amounts in thousands)**

	Airports	Harbors	Unemployment Compensation	Nonmajor Proprietary Funds	Total Proprietary Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (10,049)	\$ 53,068	\$ 52,482	\$ 3,434	\$ 98,935
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Provision for uncollectible accounts	-	625	-	-	625
Depreciation and amortization	88,434	23,336	-	1,570	113,340
Bad debt recovery	99	-	-	-	99
Overpayment of airport use charge to be transferred to the prepaid airport use charge fund	4,654	-	-	-	4,654
Premium reserves held by insurance companies	-	-	-	(35,170)	(35,170)
Principal forgiveness of loans	-	-	-	10,606	10,606
Interest income from loans	-	-	-	(2,371)	(2,371)
Administrative loan fees	-	-	-	(3,434)	(3,434)
Pension expense	-	-	-	592	592
Changes in assets, deferred outflows, liabilities and deferred inflows					
Receivables	(8,428)	(1,753)	10,791	(4,822)	(4,212)
Prepaid and other expenses	-	852	-	7	859
Net deferred outflows/inflows of resources related to pensions	-	(224)	-	(605)	(829)
Vouchers and contracts payable	8,208	105	2,978	337	11,628
Net pension liability	(2,079)	144	-	56	(1,879)
Other postemployment benefit liability	10,842	2,116	-	897	13,855
Other accrued liabilities	8,533	(524)	-	4,285	12,294
Prepaid airport use charge fund	(1,092)	-	-	-	(1,092)
Unearned revenue	(3,565)	-	-	-	(3,565)
Benefit claims payable	-	-	-	509	509
Net cash provided by (used in) operating activities	\$ 95,557	\$ 77,745	\$ 66,251	\$ (24,109)	\$ 215,444

Supplemental information

Noncash investing, capital, and financing activities							
Amortization of bond discount, bond premium and loss on refunding	\$ (2,684)	\$ (105)	\$ -	\$ -	\$ -	\$ (2,789)	
Interest payments relating to special facility revenue bonds	1,722	-	-	-	-	-	1,722
Principal payments on special facility revenue bonds	7,405	-	-	-	-	-	7,405
Amortization of certificates of participation premium	(907)	-	-	-	-	-	(907)
Amounts included in contracts payable for the acquisition of capital assets	42,410	-	-	-	-	-	42,410
Interest capitalized in capital assets	24,318	-	-	-	-	-	24,318
Net book value of capital asset write-offs	2,482	-	-	-	-	-	2,482
Decrease in airports use charge fund for transfer to Airports to offset signatory airline requirement	18,500	-	-	-	-	-	18,500
Amortization of deferred outflows of resources related to pension contributions	3,171	-	-	-	-	-	3,171

(concluded)

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2015
(Amounts in thousands)

	Agency Funds	OPEB Trust Fund
Assets		
Cash and cash equivalents	\$ 181,211	\$ 86,464
Receivables – taxes	47,694	-
Investments	515,480	757,270
Other assets, primarily due from individuals, businesses and counties	<u>108,790</u>	<u>-</u>
Total	<u>853,175</u>	<u>843,734</u>
Liabilities and Net Position		
Liabilities		
Vouchers payable	61,719	-
Due to individuals, businesses and counties	791,456	-
Other accrued liabilities	<u>-</u>	<u>214</u>
Total liabilities	<u>853,175</u>	<u>214</u>
Net position held in trust for OPEB benefits	<u>\$ -</u>	<u>\$ 843,520</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Statement of Changes in Fiduciary Net Position – OPEB Trust Fund
Year Ended June 30, 2015
(Amounts in thousands)

Additions	
Employer contributions	\$ 199,790
Investment earnings	<u>18,422</u>
	218,212
Deductions	
Administrative expenses	<u>760</u>
Net increase in fiduciary net position	217,452
Net position	
Beginning of year	<u>626,068</u>
End of year	<u>\$ 843,520</u>

The accompanying notes are an integral part of the basic financial statements.

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State of Hawaii
Component Units
Statement of Net Position
June 30, 2015
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Assets				
Current assets				
Cash and cash equivalents	\$ 89,811	\$ 209,636	\$ 67,384	\$ 86,485
Receivables				
Accounts and accrued interest, net of allowance for doubtful accounts of \$68,826	88,302	20,999	283	87,214
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$1,161	16,221	15,445	-	-
Federal government	-	-	2,284	-
Other, net of allowance for doubtful accounts of \$136	-	2,208	95	7,567
Due from primary government	235	16,270	129,548	86,296
Investments	285,241	30	-	7,225
Inventories – materials and supplies	11,765	-	535	17,875
Prepaid expenses and other assets	13,252	422	2,249	-
Total current assets	<u>504,827</u>	<u>265,010</u>	<u>202,378</u>	<u>292,662</u>
Restricted assets				
Cash and cash equivalents	-	57,492	-	6,141
Investments	-	86,256	-	-
Deposits, funded reserves and other	-	472	-	-
Total restricted assets	<u>-</u>	<u>144,220</u>	<u>-</u>	<u>6,141</u>
Capital assets				
Land and land improvements	166,609	43,228	25,340	7,771
Infrastructure	174,376	-	-	-
Construction in progress	249,788	-	33,990	32,120
Buildings, improvements and equipment	2,790,391	165,152	617,052	697,241
Less: Accumulated depreciation	(1,312,473)	(117,087)	(367,246)	(373,822)
Total capital assets, net	<u>2,068,691</u>	<u>91,293</u>	<u>309,136</u>	<u>363,310</u>
Other assets				
Notes, loans, mortgages and contributions, net of allowance for doubtful accounts of \$6,698	48,155	488,763	8,717	-
Due from primary government	398,761	8,110	-	-
Inventories – developments in progress and dwelling units	-	10,483	-	-
Investments	477,243	6,140	-	-
Other assets	19,541	-	-	1,010
Total other assets	<u>943,700</u>	<u>513,496</u>	<u>8,717</u>	<u>1,010</u>
Total assets	<u>3,517,218</u>	<u>1,014,019</u>	<u>520,231</u>	<u>663,123</u>
Deferred outflows of resources				
Deferred loss on refunding	5,251	503	-	-
Deferred outflows on net pension liability	134,848	793	3,137	68,293
Total deferred outflows of resources	<u>\$ 140,099</u>	<u>\$ 1,296</u>	<u>\$ 3,137</u>	<u>\$ 68,293</u>

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 70,533	\$ 19,195	\$ 2,362	\$ 545,406
-	464	662	197,924
-	-	-	31,666
-	-	-	2,284
1,305	-	-	11,175
-	14,463	-	246,812
-	-	181,857	474,353
-	-	-	30,175
36	1	-	15,960
<u>71,874</u>	<u>34,123</u>	<u>184,881</u>	<u>1,555,755</u>
10,559	-	-	74,192
-	-	-	86,256
-	-	-	472
<u>10,559</u>	<u>-</u>	<u>-</u>	<u>160,920</u>
131,497	135,257	-	509,702
-	44,314	-	218,690
2,525	2,921	-	321,344
215,985	25,163	-	4,510,984
(133,339)	(57,682)	-	(2,361,649)
<u>216,668</u>	<u>149,973</u>	<u>-</u>	<u>3,199,071</u>
-	17,000	-	562,635
-	-	-	406,871
-	-	-	10,483
16,530	-	-	499,913
-	370	-	20,921
<u>16,530</u>	<u>17,370</u>	<u>-</u>	<u>1,500,823</u>
<u>315,631</u>	<u>201,466</u>	<u>184,881</u>	<u>6,416,569</u>
-	-	-	5,754
<u>554</u>	<u>303</u>	<u>-</u>	<u>207,928</u>
<u>\$ 554</u>	<u>\$ 303</u>	<u>\$ -</u>	<u>\$ 213,682</u>

(continued)

State of Hawaii
Component Units
Statement of Net Position
June 30, 2015
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 56,702	\$ 616	\$ 4,289	\$ 92,488
Other accrued liabilities	91,413	6,937	2,781	-
Due to primary government	11,999	-	-	-
Unearned revenue	48,361	476	380	-
Notes, mortgages and installation contracts payable	-	68	-	1,658
Accrued vacation and retirement benefits payable	29,222	-	-	19,533
Revenue bonds payable, net	17,115	19,198	-	-
Reserve for losses and loss adjustment costs	5,586	-	-	3,565
Capital lease obligations	-	-	-	9,484
Other liabilities	9,649	-	1,373	1,550
Total current liabilities	<u>270,047</u>	<u>27,295</u>	<u>8,823</u>	<u>128,278</u>
Noncurrent liabilities				
Notes, mortgages and installment contracts payable	17,000	5,397	-	41,004
Accrued vacation and retirement benefits payable	44,618	-	-	22,603
Revenue bonds payable, net	564,442	280,837	-	-
Reserve for losses and loss adjustment costs	9,926	-	-	10,214
Capital lease obligations	-	-	-	14,455
Due to primary government	195	-	-	13,300
Unearned revenue	-	21,713	-	-
Estimated future cost of land sold	-	37,540	-	-
Net pension liability	1,089,882	6,554	23,356	583,997
Other postemployment benefit liability	650,805	4,085	18,039	338,249
Other liabilities	16,819	1,935	1,550	21,178
Total noncurrent liabilities	<u>2,393,687</u>	<u>358,061</u>	<u>42,945</u>	<u>1,045,000</u>
Total liabilities	<u>2,663,734</u>	<u>385,356</u>	<u>51,768</u>	<u>1,173,278</u>
Deferred inflows of resources				
Deferred inflows on net pension liability	<u>151,162</u>	<u>767</u>	<u>2,903</u>	<u>67,154</u>
Total deferred inflows of resources	<u>151,162</u>	<u>767</u>	<u>2,903</u>	<u>67,154</u>
Net position				
Net investment in capital assets	1,503,902	34,622	309,136	304,553
Restricted	880,637	131,269	2,600	4,133
Unrestricted	(1,542,118)	463,301	156,961	(817,702)
Total net position	<u>\$ 842,421</u>	<u>\$ 629,192</u>	<u>\$ 468,697</u>	<u>\$ (509,016)</u>

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 9,418	\$ 848	\$ -	\$ 164,361
131	156	-	101,418
30,517	-	-	42,516
-	243	-	49,460
-	-	-	1,726
126	124	-	49,005
-	-	-	36,313
-	-	-	9,151
-	-	-	9,484
-	1,418	2,440	16,430
<hr/> 40,192	<hr/> 2,789	<hr/> 2,440	<hr/> 479,864
-	-	-	63,401
291	263	-	67,775
-	-	-	845,279
-	-	-	20,140
-	-	-	14,455
232,626	-	-	246,121
-	-	-	21,713
-	-	-	37,540
4,239	2,415	-	1,710,443
2,154	1,752	-	1,015,084
-	9,258	-	50,740
<hr/> 239,310	<hr/> 13,688	<hr/> -	<hr/> 4,092,691
<hr/> 279,502	<hr/> 16,477	<hr/> 2,440	<hr/> 4,572,555
<hr/> 493	<hr/> 219	<hr/> -	<hr/> 222,698
<hr/> 493	<hr/> 219	<hr/> -	<hr/> 222,698
9,462	149,973	-	2,311,648
26,728	14,115	-	1,059,482
-	20,985	182,441	(1,536,132)
<hr/> \$ 36,190	<hr/> \$ 185,073	<hr/> \$ 182,441	<hr/> \$ 1,834,998

(concluded)

State of Hawaii
Component Units
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015
(Amounts in thousands)

	University of Hawaii	Hawaii Housing Finance and Development Corporation	Hawaii Public Housing Authority	Hawaii Health Systems Corporation
Expenses	\$ 1,653,892	\$ 46,582	\$ 141,525	\$ 765,578
Program revenues				
Charges for services	400,543	74,092	19,906	620,538
Operating grants and contributions	452,404	9,465	80,031	2,261
Capital grants and contributions	-	-	10,877	48,163
Total program revenues	852,947	83,557	110,814	670,962
Net program revenues (expenses)	(800,945)	36,975	(30,711)	(94,616)
General revenues (expenses)				
Interest and investment income	4,659	-	-	169
Transient accommodations tax	-	-	-	-
Payments from State, net	765,528	7,863	25,558	118,440
Gifts and subsidies	31,870	-	13,539	-
Other	(7,425)	-	549	(1,881)
Net general revenues	794,632	7,863	39,646	116,728
Change in net position	(6,313)	44,838	8,935	22,112
Net position				
Beginning of year, as previously reported	1,961,526	590,850	483,003	49,679
Adjustment for change in accounting principle	<u>(1,112,792)</u>	<u>(6,496)</u>	<u>(23,241)</u>	<u>(580,807)</u>
Beginning of year, as restated	848,734	584,354	459,762	(531,128)
End of year	\$ 842,421	\$ 629,192	\$ 468,697	\$ (509,016)

The accompanying notes are an integral part of the basic financial statements.

Hawaii Tourism Authority	Hawaii Community Development Authority	Hawaii Hurricane Relief Fund	Total Component Units
\$ 106,189	\$ 9,610	\$ 5	\$ 2,723,381
6,367	9,929	-	1,131,375
-	-	-	544,161
-	-	-	59,040
6,367	9,929	-	1,734,576
(99,822)	319	(5)	(988,805)
390	74	2,740	8,032
115,000	-	-	115,000
200	9,555	53,060	980,204
-	-	-	45,409
3	-	-	(8,754)
115,593	9,629	55,800	1,139,891
15,771	9,948	55,795	151,086
24,617	177,525	126,646	3,413,846
(4,198)	(2,400)	-	(1,729,934)
20,419	175,125	126,646	1,683,912
\$ 36,190	\$ 185,073	\$ 182,441	\$ 1,834,998

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies

The basic financial statements of the State of Hawaii (the State) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The State's significant accounting policies are described below.

Reporting Entity

The accompanying basic financial statements present the financial activity of the State (Primary Government) and its Component Units, entities for which the Primary Government is considered to be financially accountable. Discretely presented Component Units are legally separate organizations for which the Primary Government is financially accountable or for which the nature and significance of their relationship to the Primary Government are such that exclusion would cause the State's reporting entity to be misleading or incomplete.

Primary Government

The following branches and departments are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Executive:

Accounting and General Services
Agriculture
Attorney General
Budget and Finance
Business, Economic Development and Tourism
Commerce and Consumer Affairs
Defense
Education
Hawaiian Home Lands
Health
Human Resource Development
Human Services
Labor and Industrial Relations
Land and Natural Resources
Public Safety
Taxation
Transportation

Judicial

Legislative

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Discretely Presented Component Units

The Component Units column in the basic financial statements includes the financial data for the State's discretely presented Component Units. They are reported in a separate column to emphasize their legal separation from the State. The discretely presented Component Units are:

University of Hawaii – The University of Hawaii (UH) is Hawaii's sole public higher education system. Hawaii Revised Statutes (HRS) Chapter 304 governs the activities of the UH.

The UH is comprised of ten campuses with approximately 60,000 students and 10,000 faculty and staff. The UH provides a broad range of 385 degree (baccalaureate to post-doctoral level) programs, through a framework of sixteen colleges and nine professional schools. Through its seven community colleges on Oahu, Hawaii, Maui and Kauai, the UH offers more than 279 certificate and associate degree programs and in certain areas, baccalaureate degrees. In addition to organized research institutes and administrative service and distance learning centers, the UH houses more than a hundred centers with a research, instruction, or public service purpose. The UH is also engaged in instructional research and service activities at hundreds of Hawaii schools, hospitals, and community sites, and carries out these activities across the Pacific Islands and in foreign countries.

The UH Board of Regents is appointed by the Governor of the State of Hawaii. The UH is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The UH's complete financial statements are available online at: <http://www.hawaii.edu>.

Hawaii Housing Finance and Development Corporation – The Hawaii Housing Finance and Development Corporation (HHFDC) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HHFDC is a corporate body placed within the Department of Business Economic Development and Tourism (DBEDT) for administrative purposes. The HHFDC's mission is to increase the supply of workforce and affordable homes by providing tools and resources to facilitate housing development. Tools and resources include housing tax credits, low interest construction loans, equity gap loans, developable land, and expedited land use approvals.

The HHFDC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHFDC is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The HHFDC's complete financial statements are available online at: <http://www.dbedt.hawaii.gov/hhfdc>.

Hawaii Public Housing Authority – The Hawaii Public Housing Authority (HPHA) was established by Act 196, SLH 2005, as amended by Act 180, SLH 2006. The HPHA is administratively attached to the Department of Human Services. Its mission is to provide safe, decent and sanitary dwelling for low and moderate income residents of the State of Hawaii and to operate its housing program in accordance with federal and State of Hawaii laws and regulations.

The HPHA's Board of Directors is appointed by the Governor of the State of Hawaii. The HPHA is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The HPHA's complete financial statements are available online at: <http://www.hpha.hawaii.gov>.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Hawaii Health Systems Corporation – Act 262, SLH 1996, transferred all facilities previously under the Department of Health – Division of Community Hospitals to the Hawaii Health System Corporation (HHSC). The HHSC is administratively attached to the Department of Health. Its mission is to provide and enhance accessible and comprehensive healthcare services that are quality-driven, customer-focused, and cost-effective. It operates the following facilities:

East Hawaii Region:
Hilo Medical Center
Hale Ho'ola Hamakua
Ka'u Hospital
Yukio Okutsu Veterans Care Home

Maui Region:
Maui Memorial Medical Center
Kula Hospital
Lanai Community Hospital

West Hawaii Region:
Kona Community Hospital
Kohala Hospital

Oahu Region:
Leahi Hospital
Maluhia

Kauai Region:
Kauai Veterans Memorial Hospital
Samuel Mahelona Memorial Hospital

Kahuku Medical Center

The HHSC's Board of Directors is appointed by the Governor of the State of Hawaii. The HHSC is a public body corporate and politic and an instrumentality and agency of the State of Hawaii that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. The HHSC's complete financial statements are available online at: <http://www.hhsc.org>.

Hawaii Tourism Authority – The Hawaii Tourism Authority (HTA) was established by Act 156, SLH 1998. The HTA is administratively attached to DBEDT. The HTA is responsible for developing and implementing a strategic tourism marketing plan and developing measures of effectiveness to assess the overall benefits and effectiveness of the marketing plan as it relates to the State's tourism industry, employment taxes and lesser known and underutilized destinations.

Effective July 2002, in accordance with Executive Order No. 3817, the HTA assumed control and management of the Hawaii Convention Center (Center). Effective July 1, 2002, the Center, by statute, became the responsibility of the HTA. The Center offers approximately 350,000 square feet of rentable space including 51 meeting rooms.

The HTA's Board of Directors is appointed by the Governor of the State of Hawaii. The HTA is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HTA's complete financial statements may be obtained from the Hawaii Tourism Authority, 1801 Kalakaua Avenue, Honolulu, Hawaii 96815.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Hawaii Community Development Authority – The Hawaii Community Development Authority (HCDA) was established by HRS Chapter 206E to join the strengths of private enterprise, public development and regulation into a form capable of long-term planning and implementation of improved community development in the urban areas of the State of Hawaii. The HCDA was established as a body corporate and a public instrumentality of the State and is administratively attached to DBEDT. The HCDA has three Community Development Districts: Kaka'ako, Kalaeloa, and He'eia.

The HCDA's Board of Directors is appointed by the Governor of the State of Hawaii. The HCDA is a separate legal entity that is financially accountable to and fiscally dependent on the State and is therefore included as a discretely presented Component Unit. Information for obtaining the HCDA's complete financial statements may be obtained from the Hawaii Community Development Authority, 547 Queen Street, Honolulu, Hawaii 96813.

Hawaii Hurricane Relief Fund – The Hawaii Hurricane Relief Fund (HHRF) was organized pursuant to, and operates in accordance with HRS Chapter 431P. The HHRF was established as a public body and a body corporate and politic and is administratively attached to the Department of Commerce and Consumer Affairs.

The HHRF was primarily organized to provide residential and commercial hurricane property insurance coverage to Hawaii consumers in situations where insurance companies will not underwrite such business in the State. Due to the increase in availability of hurricane insurance coverage from the private sector, the HHRF ceased writing policies effective December 1, 2000. Although the HHRF ceased writing policies, it was determined that the HHRF should not be dissolved as it may need to reenter the insurance market in the future.

In the event of dissolution of the HHRF, the net monies within the hurricane reserve trust fund shall revert to the State General Fund after any payments on behalf of licensed property and casualty insurers or the State that are required to be made pursuant to any federal disaster insurance program enacted to provide insurance or reinsurance for hurricane risks.

The HHRF's Board of Directors is appointed by the Governor of the State of Hawaii. The HHRF is financially accountable, poses a financial burden or benefit to the State, and is therefore included as a discretely presented Component Unit. Information for obtaining the HHRF's complete financial statements may be obtained from the Department of Commerce and Consumer Affairs, 335 Merchant Street, Honolulu, Hawaii 96813.

The Employees' Retirement System of the State of Hawaii (ERS), which is administered on behalf of public employees for both the State and county governments, and the Office of Hawaiian Affairs (OHA), which exists for the betterment of the conditions of native Hawaiians, are excluded from the State's reporting entity because those agencies, based on the fiscal independence and/or separate legal entity status, are not accountable to the State.

Government-Wide and Fund Financial Statements

The Government-Wide financial statements (the statement of net position and the statement of activities) report information of all of the nonfiduciary activities of the Primary Government and its Component Units. For the most part, the effect of interfund activity has been removed from these Government-Wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from the legally separate Component Units for which the Primary Government is financially accountable.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment or component unit. Taxes and other items not included in program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The State does not allocate general government (indirect) expenses to other functions.

Net position is restricted when legally enforceable enabling legislation places restrictions or when restrictions are externally imposed by citizens and/or public interest groups. Additionally, restricted net position is reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if the government has other cause for reconsideration. Internally imposed designations of resources are not presented as restricted net position. When both restricted and unrestricted resources are available for use, generally, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, Fiduciary Funds, and discretely presented Component Units. However, the Fiduciary Funds are not included in the Government-Wide financial statements. Major individual Governmental Funds and major individual Proprietary Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Funds Financial Statements

The Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year. Revenues susceptible to accrual include taxpayer-assessed tax revenues. Taxpayer-assessed tax revenues primarily consist of income and general excise taxes. Other revenues, which are not considered susceptible to accrual, and therefore, are not accrued include fines, forfeitures and penalties, licenses, permits, and franchises.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenue when available and entitlement occurs which is generally within 12 months of the end of the current fiscal year. All other federal reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditures or expenses are incurred as of fiscal year-end and funds are available.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Expenditures are generally recorded when a liability is incurred, as under-accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds, Fiduciary Funds and Component Units Financial Statements

The financial statements of the Proprietary Funds, Fiduciary Funds and Component Units are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the Government-Wide financial statements described above. The financial statements of the Other Post-Employment Benefit (OPEB) Trust Fund are reported as a fiduciary fund using the economic resource measurement focus and the accrual basis of accounting. Agency Funds do not have a measurement focus and report only assets and liabilities.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting

The financial activities of the State are recorded in individual funds, each of which is deemed to be a separate accounting entity. The State uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The financial activities of the State that are reported in the accompanying fund financial statements have been classified into the following major and nonmajor Governmental and Proprietary Funds. In addition, a description of the Fiduciary Funds and Component Units are as follows:

Governmental Fund Types – The State reports the following major Governmental Funds:

- **General Fund** – This fund is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- **Capital Projects Fund** – This fund accounts for substantially all of the financial resources obtained and used for the acquisition or construction of the State's capital assets and facilities. Such resources are derived principally from proceeds of general obligation and revenue bond issues, federal grants, and transfers from the Special Revenue Funds.
- **Med-Quest Special Revenue Fund** – This fund accounts for the State's Medicaid program through which healthcare is provided to the low-income population. The Medicaid program is jointly financed by the State and the federal government.

The nonmajor Governmental Funds are comprised of the following:

- **Special Revenue Funds** – These funds account for the financial resources obtained from specific revenue sources and used for restricted purposes.
- **Debt Service Fund** – This fund accounts for the financial resources obtained and used for the payment of principal and interest on long-term bond obligations. This fund also accounts for financial resources obtained and used to refund existing debt.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Proprietary Fund Type – Enterprise Funds – The major Enterprise Funds are comprised of the following:

- **Department of Transportation – Airports Division** (Airports) – Airports operates the State's airports and air navigation facilities and is responsible for general supervision of aeronautics within the State.
- **Department of Transportation – Harbors Division** (Harbors) – Harbors maintains and operates the State's commercial harbors system.
- **Unemployment Compensation Fund** – This fund accounts for the unemployment compensation benefits to qualified recipients.

The nonmajor Enterprise Funds are comprised of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), the Water Pollution Control Revolving Fund (WPCF), and the Drinking Water Treatment Revolving Loan Fund (DWTLF). The EUTF accounts for the benefits relating to active employees and beneficiaries, which includes medical, dental and life insurance coverage. The WPCF accounts for loans to county agencies for the construction of wastewater treatment facilities. The DWTLF accounts for loans to county agencies for construction of drinking water treatment facilities.

Fiduciary Fund Types –

- **Agency Funds** – Agency Funds account for retiree healthcare benefits, which includes medical, dental and life insurance coverage as well as various taxes, deposits and property held by the State, pending distribution to other governments and individuals.
- **OPEB Trust Fund** – This Fund accounts for plan assets and related expenses from the pre-funding contributions made by the State and counties. The OPEB Trust Fund meets the criteria for plans that are administered as trusts, or equivalent arrangements.

Component Units – Component Units are comprised of the following:

- UH, which is comprised of the State's public institutions of higher education;
- HHFDC, which finances housing programs for residents of the State;
- HPHA, which manages state housing programs;
- HHSC, which provides quality health care for the people of the State;
- HTA, which manages the State's convention center as well as markets the State's visitor industry;
- HCDA, which coordinates private and public community development for residents of the State; and
- HHRF, which funds, assesses and provides, when necessary, hurricane property insurance to residents of the State.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Cash and Cash Equivalents

Cash and cash equivalents include all cash, repurchase agreements, and U.S. government securities with original maturities of three months or less, and time certificates of deposit. For purposes of the statement of cash flows, the State has defined cash equivalents to be all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables/interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the Government-Wide financial statements as internal balances.

All tax and other receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

Investments

Investments in U.S. government securities and time certificates of deposit are carried at fair value based on quoted market prices. Investments in repurchase agreements are carried at cost.

Inventories

Inventories of developments in progress and units available for sale are stated at the lower of cost or estimated net realizable value, with cost being determined by the specific-identification method. All estimated carrying costs to the anticipated date of disposition are considered in the determination of estimated net realizable value. Units available for sale include constructed units, developed lots, and repurchased units available for sale. Developments in progress include construction in progress and land held for future development.

Materials and supplies inventories are stated at the lower of cost or market, with cost being determined principally using the first-in, first-out method.

Restricted Assets

Revenue bond indentures authorize the State's trustees to invest monies in time certificates of deposit, money market funds, and investment securities, including U.S. government or agency obligations, certain municipal bonds, and repurchase agreements. Uninsured time certificates of deposit are required to be collateralized by investment securities of an equal or greater market value. The underlying securities for repurchase agreements are required to be U.S. government or agency obligations of an equal or greater market value held by the State's agent in the State's name.

Capital Assets

Capital assets, which include land and land improvements, infrastructure assets (e.g., roads, bridges, sidewalks and similar items), buildings and improvements, equipment, and computer software, are reported in the applicable governmental and business-type activities columns, as well as the Component Units column, in the Government-Wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed to the extent the State's capitalization thresholds are met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned, on the invested proceeds over the same period.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

The State's capitalization thresholds are \$5,000 for equipment, and \$100,000 for land and land improvements, infrastructure, and buildings and improvements. The primary government's capitalization threshold is \$1,000,000 for purchased and internally generated software and \$100,000 for other intangible assets. Component units and major enterprise funds establish separate capitalization thresholds and estimated useful lives, as appropriate. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives, are capitalized. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation, as applicable, are removed from the respective accounts, and any resulting gain or loss is recognized in the statement of activities.

Capital assets of the Primary Government, as well as the Component Units, are depreciated or amortized using the straight-line method over the following estimated useful lives:

Infrastructure	12–50 years
Buildings and improvements	15–30 years
Equipment	5–7 years
Computer software	5–15 years
Other intangible assets	30 years

Works of art and historical treasures held for public exhibition, education or research in furtherance of public service, rather than financial gain, are capitalized. These items are protected, kept encumbered, conserved and preserved by the State. It is the State's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

Compensated Absences

It is the State's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the Government-Wide, Proprietary Funds, and Component Units financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the Government-Wide financial statements, Proprietary Fund financial statements, and Component Unit financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, Proprietary Fund, or Component Units statement of net position. Initial-issue bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective-interest method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or the remaining life of the refunded debt. Bond issuance costs except any portion related to prepaid insurance costs, are expensed in the period incurred. Amortization of bond premiums or discounts, prepaid insurance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, Governmental Funds recognize bond premiums, discounts and prepaid insurance costs during the period issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Net Position and Fund Balance

In the Government-Wide financial statements and Proprietary Funds and Component Units financial statements, net position is reported in three categories: net investment in capital assets, restricted net position, and unrestricted net position. Restricted net position represents net position restricted by parties outside of the State (such as citizens, public interest groups, or the judiciary), or imposed by law through enabling legislation, and includes unspent proceeds of bonds issued to acquire or construct capital assets.

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The State classifies fund balance based primarily on the extent to which a government is bound to follow constraints on how resources can be spent in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Classifications include:

- **Restricted** — Balances that are restricted for specific purposes by external parties such as creditors, grantors or other governments. Sources of these externally enforceable legal restrictions include creditors, grantors or other governments.
- **Committed** — Balances that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., legislation) of the State's Legislature, the highest level of decision-making authority. Legislation is required to modify or rescind a fund balance commitment.
- **Assigned** — Balances that are constrained by management to be used for specific purposes, as authorized by the Hawaii Revised Statutes, but are not restricted or committed. For general fund only, encumbrance balances at fiscal year-end are classified as assigned.
- **Unassigned** — Residual balances that are not contained in the other classifications.

The State spends restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the State would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

The following table presents the State's fund balance by major function at June 30, 2015:

	General Fund	Capital Projects Fund	Med-Quest Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Restricted for Welfare	\$ -	\$ -	\$ -	\$ 25,335	\$ 25,335
Debt service	-	-	-	35	35
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Committed to					
General government	-	-	-	39,952	39,952
Public safety	-	-	-	39,441	39,441
Conservation of natural resources	-	-	-	97,270	97,270
Health	-	-	-	168,340	168,340
Welfare	-	-	-	1,748	1,748
Culture and recreation	-	-	-	2,320	2,320
Urban development and housing	-	-	-	72,456	72,456
Economic development	-	-	-	27,763	27,763
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Assigned to					
General government	20,265	-	-	133,195	153,460
Public safety	10,811	-	-	48,839	59,650
Highways	-	-	-	201,250	201,250
Conservation of natural resources	8,631	-	-	45,424	54,055
Health	57,370	-	-	-	57,370
Welfare	30,452	-	761	-	31,213
Education	71,235	-	-	145,878	217,113
Culture and recreation	3,376	-	-	8,636	12,012
Urban development and housing	583	-	-	247,165	247,748
Economic development	2,519	-	-	178,355	180,874
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Unassigned	1,384,053	(538,642)	-	(38,338)	807,073
Total	\$ 1,589,295	\$ (538,642)	\$ 761	\$ 1,445,064	\$ 2,496,478

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ERS and additions to/deductions from the ERS' fiduciary net position have been determined on the same basis as they are reported by the ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at their fair value.

Nonexchange Transactions

The Enterprise Funds and Component Units recognize contributed capital as nonoperating revenues.

Medicare and Medicaid Reimbursements

Revenues from services reimbursed under Medicare and Medicaid programs are recorded at the estimated reimbursable amounts. Final determination of the amounts earned is subject to review by the fiscal intermediary or a peer review organization. The State administration's opinion is that adequate provision has been made for any adjustments that may result from such reviews.

Risk Management

The State is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and workers' compensation. The State generally retains the first \$1,000,000 per occurrence of property losses, the first \$4,000,000 with respect to general liability claims, and the first \$500,000 of losses due to crime. Losses in excess of those retention amounts are insured with commercial insurance carriers. The limit per occurrence for property losses is \$200,000,000, except for terrorism, which is \$50,000,000 per occurrence. The annual aggregate limit for general liability losses is \$15,000,000 per occurrence and for crime losses, the limit per

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occurrence is \$10,000,000 with no aggregate limit. The State also has an insurance policy to cover medical malpractice risk in the amount of \$35,000,000 per occurrence and \$39,000,000 in the aggregate. The State is generally self-insured for workers' compensation and automobile claims.

The estimated reserve for losses and loss adjustment costs includes the accumulation of estimates for losses and claims reported prior to fiscal year-end, nonincremental estimates (based on projections of historical developments) of claims incurred but not reported, and nonincremental estimates of costs for investigating and adjusting all incurred and unadjusted claims. Amounts reported are subject to the impact of future changes in economic and social conditions. The State believes that, given the inherent variability in any such estimates, the reserves are within a reasonable and acceptable range of adequacy. Reserves are continually monitored and reviewed and, as settlements are made and reserves adjusted, the differences are reported in current operations. A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investment of funds and assets in the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Accordingly, the assets and liabilities of the State's deferred compensation plan are not reported in the accompanying basic financial statements.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Newly Issued Accounting Pronouncements

GASB Statement Nos. 68 & 71

During fiscal year 2015, the State implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

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- Pension plan assets are legally protected from the creditors of employer, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures – an amendment of GASB Statement No. 25 and No. 27*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statement Nos. 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Statement No. 71 is required to be implemented simultaneously with Statement No. 68 and amends the requirement related to certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities.

The adoption of Statement Nos. 68 and 71 has no impact on the State's governmental fund financial statements, which continue to report expenditures in the amount statutorily required. However, adoption has resulted in the restatement of the State's fiscal year 2014 government-wide financial statements to reflect the reporting of a net pension liability in accordance with the provisions of Statement No. 68 and deferred outflows of resources related to pensions in accordance with Statement No. 71. Net pension liability for governmental activities and business type activities of \$4,296,634,000 and \$150,840,000, respectively, and deferred outflows of resources related to pensions for governmental activities and business type activities of \$319,827,000 and \$11,301,000, respectively, were reported as of July 1, 2014. Refer to Note 11 for more information regarding the State's pension.

GASB Statement No. 69

The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which became effective for financial statements for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement did not have a material effect on the State's financial statements.

GASB Statement No. 72

The GASB issued Statement No. 72, *Fair Value Measurement and Application*. The Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Statement will also enhance fair value application guidance and disclosure. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 73

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The Statement establishes accounting and financial reporting requirements by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, and for the assets accumulated for purposes of providing those pensions. The requirements of this Statement that address accounting and reporting by employers and government nonemployer contributing entities for pensions are effective for reporting periods beginning after June 15, 2016. The requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions

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are effective for reporting periods beginning after June 15, 2015. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 74

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended. The Statement addresses the financial reports of defined benefit other post-employment benefit plans that are administered through trusts that meet specified criteria. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 75

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. The Statement will require governments to report a liability on the face of the financial statements for the other post-employment benefits that they provide. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 76

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Statement supersedes GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Statement reduces generally accepted accounting principles (GAAP) to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The State has not yet determined the effect this Statement will have on its financial statements.

GASB Statement No. 77

The GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires governments that enter into tax abatement agreements to disclose information about the nature and magnitude of the tax abatements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The State is currently evaluating the impact that Statement No. 77 will have on its financial statements.

GASB Statement No. 78

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement amends the scope and applicability of GASB Statement No. 68, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension that meet certain requirements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. The State is currently evaluating the impact that Statement No. 78 will have on its financial statements.

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GASB Statement No. 79

The GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The Statement addresses how certain state and local government external investment pools – and participants in those pools – may measure and report their investments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26 and 40, which are effective for reporting periods beginning after December 15, 2015. This Statement is not expected to have a material effect on the State's financial statements.

2. Cash and Investments

The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance pools and invests any monies of the State, which in the Director of Finance's judgment, are in excess of the amounts necessary for meeting the specific requirements of the State. Investment earnings are allocated to the Primary Government based on its equity interest in the pooled monies. Legally authorized investments include obligations of or guaranteed by the U.S. government, obligations of the State, federally-insured savings and checking accounts, time certificates of deposit, and repurchase agreements with federally-insured financial institutions.

Cash

The State maintains approximately 20 bank accounts for various purposes at locations throughout the State and the nation. Bank deposits are under the custody of the Director of Finance. For financial statement reporting purposes, cash and cash equivalents consist of cash, time certificates of deposit, and money market accounts. Cash and cash equivalents also include repurchase agreements and U.S. government securities with original maturities of three months or less.

The carrying amount of the State's unrestricted and restricted deposits (cash, time certificates of deposit, and money market accounts) as of June 30, 2015, was \$2,079,606,000 and \$853,060,000, respectively, for the Primary Government and unrestricted cash for the Fiduciary Funds as of June 30, 2015, was \$267,675,000.

Information relating to the bank balance, insurance and collateral of cash deposits is determined on a statewide basis and not for individual departments or divisions. Total bank balances of deposits for the Primary Government and Fiduciary Funds amounted to approximately \$2,238,408,000 at June 30, 2015. The entire amount represents bank balances covered by federal deposit insurance or by collateral held either by the State Treasury or by the State's fiscal agents in the name of the State. Bank balances of \$435,459,000 represent deposits with the U.S. Department of the Treasury for the State's Unemployment Trust Fund, which were uncollateralized, and the Special Revenue Funds' and Proprietary Funds' cash in bank, which was uninsured and uncollateralized. The Special Revenue Funds' and Proprietary Funds' cash balances were held by fiscal agents in the State's name for the purpose of satisfying outstanding bond obligations. Accordingly, these deposits were exposed to custodial credit risk. Custodial credit risk is the risk that, in the event of a bank failure, the State's deposits may not be returned to it. For demand or checking accounts and time certificates of deposit, the State requires that the depository banks pledge collateral based on the daily available bank balances to limit its exposure to custodial credit risk. The use of daily available bank balances to determine collateral requirements results in the available balances being under-collateralized at various times during the fiscal year. All securities pledged as collateral are held either by the State Treasury or by the State's fiscal agents in the name of the State. The State also requires that no more than 60% of the State's total funds available for deposit and on deposit in the State Treasury may be deposited in any one financial institution.

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Investments

The State holds investments both for its own benefit and as an agent for other parties.

Further, the State pools all excess funds into an investment pool that is administered by the State Department of Budget and Finance (Budget and Finance). The pool's investment options are limited to investments listed in the HRS. As of June 30, 2015, the State had material investments in repurchase agreements. According to Budget and Finance, the repurchase agreement investment contracts are valued on the cost basis.

At the end of each year, Budget and Finance allocates the investment pool amount to each of the participants including those participants who are part of the Proprietary Funds and Fiduciary Funds. The allocation is based on the average monthly investment balance of each participant in the investment pool.

The following table presents the State's investments and maturities at June 30, 2015 (amounts expressed in thousands).

	Fair Value	Maturity (in years)		
		Less than 1	1-5	>5
Investments – Primary government				
Certificates of deposit	\$ 805,558	\$ 779,202	\$ 26,356	\$ -
U.S. government securities	1,445,267	611,840	833,422	5
Repurchase agreements	118,465	103,815	14,650	-
	<u>2,369,290</u>	<u>\$ 1,494,857</u>	<u>\$ 874,428</u>	<u>\$ 5</u>
Mutual funds	<u>12,643</u>			
Total investments	<u>\$ 2,381,933</u>			
Investments – Fiduciary funds				
Certificates of deposit	\$ 133,146	\$ 128,790	\$ 4,356	\$ -
U.S. government securities	238,879	101,127	137,751	1
Repurchase agreements	19,580	17,159	2,421	-
	<u>391,605</u>	<u>\$ 247,076</u>	<u>\$ 144,528</u>	<u>\$ 1</u>
Mutual funds	<u>881,145</u>			
Total investments	<u>\$ 1,272,750</u>			

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the State's investment policy generally limits maturities on investments to not more than five years from the date of investment.

Credit Risk

The State's investment policy limits investments in state and U.S. Treasury securities, time certificates of deposit, U.S. government or agency obligations, repurchase agreements, commercial paper, bankers' acceptances, and money market funds maintaining a Triple-A rating.

Custodial Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The State's investments are held at broker/dealer firms, which

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are protected by the Securities Investor Protection Corporation (SIPC) up to a maximum amount. Excess-SIPC coverage is provided by the firms' insurance policies. In addition, the State requires the institutions to set aside in safekeeping certain types of securities to collateralize repurchase agreements. The State monitors the market value of these securities and obtains additional collateral when appropriate.

Concentration of Credit Risk

The State's policy provides guidelines for portfolio diversification by placing limits on the amount the State may invest in any one issuer, types of investment instruments, and position limits per issue of an investment instrument.

3. Capital Assets

For the fiscal year ended June 30, 2015, capital assets activity for the Primary Government (governmental activities and business-type activities) was as follows (amounts expressed in thousands):

Governmental Activities				
	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated				
Land and land improvements	\$ 2,236,891	\$ 30,327	\$ -	\$ 2,267,218
Construction in progress	927,901	488,982	(366,857)	1,050,026
Total capital assets not being depreciated	<u>3,164,792</u>	<u>519,309</u>	<u>(366,857)</u>	<u>3,317,244</u>
Capital assets being depreciated				
Infrastructure	9,153,284	179,730	-	9,333,014
Buildings and improvements	4,205,670	236,158	(9,544)	4,432,284
Equipment	472,989	63,490	(23,910)	512,569
Intangible assets – software	83,289	30,168	-	113,457
Total capital assets being depreciated	<u>13,915,232</u>	<u>509,546</u>	<u>(33,454)</u>	<u>14,391,324</u>
Less: Accumulated depreciation and amortization				
Infrastructure	(5,433,584)	(223,521)	438	(5,656,667)
Buildings and improvements	(2,319,630)	(160,784)	5,962	(2,474,452)
Equipment	(341,931)	(54,080)	22,428	(373,583)
Intangible assets – software	(5,949)	(21,025)	-	(26,974)
Total accumulated depreciation and amortization	<u>(8,101,094)</u>	<u>(459,410)</u>	<u>28,828</u>	<u>(8,531,676)</u>
Total capital assets	<u>\$ 8,978,930</u>	<u>\$ 569,445</u>	<u>\$ (371,483)</u>	<u>\$ 9,176,892</u>
 Business-type Activities				
	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2015</u>
Capital assets not being depreciated				
Land and land improvements	\$ 625,937	\$ 2,718	\$ (1)	\$ 628,654
Construction in progress	564,863	428,721	(168,750)	824,834
Total capital assets not being depreciated	<u>1,190,800</u>	<u>431,439</u>	<u>(168,751)</u>	<u>1,453,488</u>
Capital assets being depreciated				
Land and improvements	1,234,206	24,549	(169)	1,258,586
Buildings and improvements	2,164,677	128,059	(1,236)	2,291,500
Equipment	311,672	16,868	(6,066)	322,474
Total capital assets being depreciated	<u>3,710,555</u>	<u>169,476</u>	<u>(7,471)</u>	<u>3,872,560</u>
Less: Accumulated depreciation				
Land and improvements	(815,305)	(32,547)	122	(847,730)
Buildings and improvements	(1,199,471)	(60,864)	244	(1,260,091)
Equipment	(214,804)	(19,791)	5,700	(228,895)
Total accumulated depreciation	<u>(2,229,580)</u>	<u>(113,202)</u>	<u>6,066</u>	<u>(2,336,716)</u>
Total capital assets	<u>\$ 2,671,775</u>	<u>\$ 487,713</u>	<u>\$ (170,156)</u>	<u>\$ 2,989,332</u>

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Depreciation expense for the fiscal year ended June 30, 2015, was charged to functions/programs of the Primary Government as follows (amounts expressed in thousands):

Governmental activities	
Highways	\$ 206,289
Lower education	82,935
Urban redevelopment and housing	23,080
Public safety	20,153
General government	53,853
Conservation of natural resources	17,146
Welfare	23,008
Health	6,208
Economic development and assistance	23,274
Culture and recreation	3,464
 Total depreciation expense – governmental activities	 <u>\$ 459,410</u>
Business-type activities	
Airports	\$ 88,434
Harbors	23,198
EUTF	1,365
DWTLF	194
WPCF	11
 Total depreciation expense – business-type activities	 <u>\$ 113,202</u>

4. General Obligation Bonds Payable

The State issues general obligation bonds primarily to provide for the acquisition and construction of major capital facilities. Although certain general obligation debt are being retired from the resources of the Proprietary Funds – Airports and Harbors and are recorded in those funds, all general obligation bonds are backed solely by the full faith and credit of the State.

All issues, except Series CM, issued December 1, 1996; Series DL, issued May 20, 2008; Series DO and DP, issued December 16, 2008; Series DR, issued June 23, 2009; Series DT, issued November 24, 2009; Series DY, issued February 18, 2010; Series ED, issued December 7, 2011; and Series EJ, EK and EL, issued November 21, 2013, and Series ER, issued November 25, 2014, contain call provisions. Stated interest rates range from 0.18% to 6.5%.

On November 25, 2014, the State issued \$575,000,000 of general obligation bonds of 2014 Series EO, \$209,015,000 of general obligation refunding bonds of 2014 Series EP, \$25,000,000 of taxable general obligation bonds of 2014, Series EQ, and \$199,760,000 of taxable general obligation refunding bonds of 2014, Series ER and ES. The bonds were issued at a premium, which will be amortized over the life of the bonds using the effective interest rate method. The bonds within Series EQ and ES are subject to optional redemption, and the bonds within Series EO and EP that mature on or after August 1, 2024 are subject to optional redemption.

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Refunding Series EP, ER and ES have interest rates of 0.18% to 5.0% and were used to advance refund \$416,860,000 of certain general obligation bonds previously issued. The net proceeds of \$450,668,000 (including premiums of \$41,893,000) related to the issuance of Series EP, ER and ES were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding general obligation bonds series DF, DG, DI, DJ, DK and DN. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the government-wide financial statements. Due to the advanced refunding, the State decreased its total debt service payments over the next 12 years by \$47,932,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$31,346,000.

The State defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust, to provide for all future debt service payments on the refunding bonds. Accordingly, the trust accounts and the refunded bonds are not included in the State's basic financial statements. At June 30, 2015, \$868,825,000 of bonds outstanding is considered defeased. At June 30, 2015, the general obligation bonds consisted of the following (amounts expressed in thousands):

Callable	\$ 5,234,635
Noncallable	<u>758,625</u>
Total general obligation bonds outstanding	5,993,260
Add: unamortized bond premium	539,353
Less: Amount recorded as a liability of proprietary funds – Harbors	<u>(29,332)</u>
Amount recorded in the governmental activities of the primary government	\$ 6,503,281

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A summary of general obligation bonds outstanding by series as of June 30, 2015, is as follows (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
CM	December 1, 1996	6.500%	December 1, 2015–2016	\$ 150,000	\$ 16,660
DF	June 15, 2005	3.625%–5.000%	July 1, 2015–2016	225,000	11,640
DG	June 15, 2005	5.000%	July 1, 2015	722,575	87,995
DI	March 23, 2006	4.000%–5.000%	March 1, 2016–2026	350,000	36,135
DJ	April 12, 2007	3.800%–5.000%	April 1, 2016–2026	350,000	88,065
DK	May 20, 2008	4.000%–5.000%	May 1, 2016–2028	375,000	244,160
DL	May 20, 2008	3.500%–5.000%	May 1, 2016–2018	29,010	13,290
DN	December 16, 2008	4.250%–5.500%	August 1, 2015–2028	100,000	87,035
DO	December 16, 2008	3.500%–5.000%	August 1, 2015–2018	101,825	55,185
DP	December 16, 2008	5.430%–5.680%	August 1, 2015–2016	26,000	9,555
DQ	June 23, 2009	3.600%–5.000%	June 1, 2016–2029	500,000	409,715
DR	June 23, 2009	3.000%–5.000%	June 1, 2016–2019	225,410	135,350
DS	November 5, 2009	0.200%–1.450%	September 15, 2015–2024	32,000	29,160
DT	November 24, 2009	2.500%–5.000%	November 1, 2015–2019	204,140	173,885
DX	February 18, 2010	3.380%–5.530%	February 1, 2016–2030	500,000	477,595
DY	February 18, 2010	3.000%–5.000%	February 1, 2016–2020	221,625	188,525
DZ	December 7, 2011	3.500%–5.000%	December 1, 2016–2031	800,000	800,000
EA	December 7, 2011	2.000%–5.000%	December 1, 2016–2023	403,455	403,455
ED	December 7, 2011	2.000%–5.000%	December 1, 2015	23,750	23,750
EE	December 4, 2012	1.000%–5.000%	November 1, 2017–2032	444,000	444,000
EF	December 4, 2012	5.000%	November 1, 2017–2024	396,990	396,990
EG	December 4, 2012	1.000%–3.625%	November 1, 2017–2032	26,000	26,000
EH	November 21, 2013	4.000%–5.000%	August 1, 2018–2033	635,000	635,000
EJ	November 21, 2013	3.000%–5.000%	August 1, 2015	58,355	58,355
EK	November 21, 2013	3.000%–5.000%	August 1, 2016	27,330	27,330
EL	November 21, 2013	1.000%–5.000%	August 1, 2017–2023	50,860	50,860
EM	November 21, 2013	1.950%–4.800%	August 1, 2018–2033	25,000	25,000
EN	November 21, 2013	1.950%–4.800%	August 1, 2018–2033	29,795	29,795
EO	November 25, 2014	3.000%–5.000%	August 1, 2019–2034	575,000	575,000
EP	November 25, 2014	5.000%	August 1, 2019–2026	209,015	209,015
EQ	November 25, 2014	2.035%–3.915%	August 1, 2019–2034	25,000	25,000
ER	November 25, 2014	0.180%	August 1, 2015	5,880	5,880
ES	November 25, 2014	0.731%–1.231%	August 1, 2016–2017	193,880	193,880
					\$ 5,993,260

The general obligation bonds outstanding financed the Hawaiian Home Lands Trust settlement and the acquisition, construction, extension or improvement of various public improvement projects, including public buildings and facilities, public schools, community college and university facilities, public libraries and parks, and for other public purposes.

A summary of the general obligation bond premium activity for fiscal year 2015 is as follows (amounts expressed in thousands):

Balance – July 1, 2014	\$ 492,651
GO bond series EO, EP, EQ, ER and ES	131,187
Defeased bond series DF, DG, DI, DJ, DK and DN	(16,058)
Current-year amortization	(68,427)
Balance – June 30, 2015	\$ 539,353

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A summary of debt service requirements to maturity on the governmental activities' general obligation bonds is as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ 412,213	\$ 278,339	\$ 690,552
2017	429,507	253,670	683,177
2018	406,888	236,469	643,357
2019	412,607	220,497	633,104
2020	385,958	200,139	586,097
2021–2025	1,763,194	744,107	2,507,301
2026–2030	1,439,726	342,193	1,781,919
2031–2035	713,835	62,661	776,496
	\$ 5,963,928	\$ 2,338,075	\$ 8,302,003

A summary of debt service requirements to maturity on the business-type activities' general obligation bonds are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ 1,932	\$ 1,449	\$ 3,381
2017	2,023	1,358	3,381
2018	2,122	1,258	3,380
2019	2,228	1,153	3,381
2020	2,337	1,044	3,381
2021–2025	13,536	3,368	16,904
2026–2030	5,154	400	5,554
	\$ 29,332	\$ 10,030	\$ 39,362

The State Constitution limits the amount of general obligation bonds, which may be issued. As required by law, the Director of Finance has confirmed that the State was within its legal debt limit on the aforementioned issues. The legal debt margin at June 30, 2015 was \$470,575,000.

At June 30, 2015, general obligation bonds authorized but unissued were approximately \$2,439,190,000.

5. Revenue Bonds Payable

Governmental Activities

Revenue bonds are payable from and collateralized by each Departments' revenues generated from certain capital improvement projects. On November 13, 2014, the DBEDT issued \$150,000,000 in State of Hawaii Green Energy Market Securitization Bonds of 2014, Series A, to provide funds for environmentally beneficial projects. The Series A is comprised of Tranche A-1 for \$50,000,000 and Tranche A-2 for \$100,000,000. Interest rate for Tranche A-1 is 1.467%, with bonds payable semi-annually beginning July 1, 2015 through 2020. Interest rate for Tranche A-2 is 3.242%, with bonds payable semi-annually beginning July 1, 2020 through January 1, 2029. Both tranches have a final maturity date which is two years later than the scheduled final payment date to allow for any final true-ups for balances owed.

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On August 14, 2014, the Department of Transportation – Highways Division (Highways) issued \$103,375,000 in State of Hawaii Highway Revenue Bonds of 2014, Series A, with interest rates ranging from 2.0% to 5.0% to provide funds for certain highway capital improvement projects. The bonds are payable annually January 1, 2015 through 2034.

On August 14, 2014, Highways issued \$32,285,000 in State of Hawaii Highway Revenue Bonds of 2014, Series B, with interest rates ranging from 3.0% to 5.0% to advance refund \$36,195,000 of certain highway revenue bonds previously issued. The bonds are payable annually January 1, 2017 through 2026.

On August 14, 2014, Highways issued \$28,020,000 in State of Hawaii Highway Revenue Bonds of 2014, Series C, with interest rates ranging from 0.4% to 1.6% to advance refund \$26,435,000 of certain highway revenue bonds previously issued. The bonds are payable annually January 1, 2016 through 2018.

On December 15, 2011, Highways issued \$112,270,000 in State of Hawaii Highway Revenue Bonds of 2011, Series A, with interest rates ranging from 0.75% to 5.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2032.

On December 15, 2011, Highways issued \$5,095,000 in State of Hawaii Highway Revenue Bonds of 2011, Series B, with an interest rate of 4.0% to advance refund \$5,400,000 of certain outstanding highway revenue bonds previously issued. The bond is payable on January 1, 2023.

On April 2, 2009, the State of Hawaii Department of Hawaiian Home Lands (DHHL) issued \$42,500,000 in Revenue Bonds, Series 2009, with interest rates ranging from 2.0% to 6.0% to finance the construction of certain DHHL capital improvement projects. The bonds are payable annually on April 1 through 2039.

On December 17, 2008, Highways issued \$125,175,000 in State of Hawaii Highway Revenue Bonds, Series 2008, with interest rates ranging from 4.0% to 6.0% to finance certain highway capital improvement projects and related projects. The bonds are payable annually on January 1 through 2029.

On March 15, 2005, Highways issued \$60,000,000 in State of Hawaii Highway Revenue Bonds of 2005, Series A, with interest rates ranging from 3.0% to 5.0% to finance certain highway capital improvement projects and related projects. The final payment date for the bonds was July 1, 2015.

On March 15, 2005, Highways issued \$123,915,000 of State of Hawaii Highway Revenue Bonds of 2005, Series B, with interest rates ranging from 3.0% to 5.25% to advance refund \$128,705,000 of certain outstanding highway revenue bonds previously issued. The bonds are payable annually on July 1 through 2021.

On July 1, 1998, Highways issued State of Hawaii Highway Revenue Bonds, Series of 1998, in the principal amount of \$94,920,000. Bond proceeds related to this issue amounted to \$97,542,000, of which \$71,921,000 was used to finance certain highway improvements and other related projects for the state highways system, and \$25,621,000 was used to advance refund certain outstanding highway revenue bonds. The difference in the principal amount and proceeds relates to bond premium and accrued interest. The bonds bear interest ranging from 4.5% to 5.5% and mature on July 1, 2017 and July 1, 2018.

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The bonds are payable solely from and collateralized by the revenues, consisting primarily of highway fuel taxes, vehicle registration fees, vehicle weight taxes, and rental motor vehicle and tour vehicle surcharge taxes.

In addition to the proceeds from the State of Hawaii Highway Revenue Bonds of 2005, Series B; the proceeds of the State of Hawaii Highway Revenue Bond of 2011 and a portion of the proceeds of the State of Hawaii Highway Revenue Bonds, Series of 1998 (see above); were placed in irrevocable trusts and used to purchase securities of the U.S. government to meet the debt service requirements of the refunded bonds.

The liabilities for the refunded bond issues and the related securities and trust accounts are not included in the accompanying basic financial statements, as DHHL and Highways defeased their obligations for payment of those bonds upon completion of those refunding transactions.

The following is a summary of the State's revenue bonds issued and outstanding at June 30, 2015 (amounts expressed in thousands):

Series	Date of Issue	Interest Rates	Maturity Dates	Original Amount of Issue	Outstanding Amount
Highways					
1998	July 1, 1998	5.500%	July 1, 2017–2018	\$ 94,920	\$ 27,580
2005 A	March 15, 2005	3.75%–5.00%	July 1, 2015	60,000	2,770
2005 B	March 15, 2005	5.00%–5.25%	July 1, 2015–2021	123,915	46,140
2008	December 17, 2008	4.75%–6.00%	January 1, 2016–2029	125,175	99,775
2011A	December 15, 2011	1.00%–5.00%	January 1, 2016–2032	112,270	100,490
2011B	December 15, 2011	4.00%	January 1, 2023	5,095	5,095
2014A	August 14, 2014	2.00%–5.00%	January 1, 2016–2034	103,375	101,075
2014B	August 14, 2014	3.00%–5.00%	January 1, 2017–2026	32,285	32,285
2014C	August 14, 2014	0.40%–1.60%	January 1, 2016–2018	28,020	27,600
DHHL					
2009	April 2, 2009	4.00%–6.00%	April 1, 2016–2039	42,500	38,300
DBEDT					
2014A-A1	November 13, 2014	1.467%	July 1, 2022	50,000	50,000
2014A-A2	November 13, 2014	3.242%	January 1, 2031	100,000	100,000
					631,110
Add: Unamortized bond premium					35,092
				\$	666,202

A summary of the revenue bond premium activity for fiscal year 2015 is as follows (amounts expressed in thousands):

	Revenue Bonds
Balance – July 1, 2014	\$ 15,472
Current-year additions	23,151
Defeased bonds	(1,702)
Current-year amortization	<u>(1,829)</u>
Balance – June 30, 2015	\$ 35,092

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Debt service requirements to maturity on revenue bonds are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ 44,862	\$ 27,244	\$ 72,106
2017	46,052	25,472	71,524
2018	47,431	24,028	71,459
2019	49,476	22,070	71,546
2020	36,674	20,329	57,003
2021–2025	176,392	78,677	255,069
2026–2030	163,023	38,646	201,669
2031–2035	56,765	10,053	66,818
2036–2039	10,435	1,611	12,046
	\$ 631,110	\$ 248,130	\$ 879,240

Business-Type Activities

Revenue bonds are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

Airports System Revenue Bonds

The Airports system revenue bonds are payable solely from and collateralized by airport revenues, which include all aviation fuel taxes levied. The Airports system revenue bonds are subject to redemption at the option of the Department of Transportation (DOT) and the State during specific years at prices ranging from 102% to 100% of principal.

The following is a summary of the Airports system revenue bonds issued and outstanding at June 30, 2015 (amounts expressed in thousands):

Series	Interest Rates	Final Maturity Date (July 1)	Original Amount of Issue	Outstanding Amount
2010A, refunding	2.00%–5.25%	2039	\$ 478,980	\$ 477,780
2010B, refunding	3.00%–5.00%	2020	166,000	121,950
2011, refunding	2.00%–5.00%	2024	300,885	243,785
			\$ 945,865	843,515
Add: Unamortized premium				15,475
				858,990
Less: Current portion				(35,725)
Noncurrent portion				\$ 823,265

Airports Special Facility Revenue Bonds

Airports entered into two special facility lease agreements with Continental Airlines, Inc. (Continental) in November 1997 and July 2000. The construction of the related facilities was financed by special facility revenue bonds issued by Airports in the amounts of \$25,255,000 and \$16,600,000, respectively. These bonds are payable solely from and collateralized solely by certain rentals and other monies derived from the special facilities and aggregated to \$21,725,000 at June 30, 2015.

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The following is a summary of pertinent information on the Airports special facility revenue bonds at June 30, 2015:

- **\$25,255,000 Issue** – The bonds bear interest at 5.625%, and are subject to redemption at the option of Airports upon the request of Continental at prices ranging from 101% to 100%, depending on the dates of redemption, or at 100% plus interest, if the facilities are destroyed or damaged extensively. Interest-only payments are due semiannually on May 15 and November 15 of each year until the bonds mature on November 15, 2027, at which time the entire principal amount is due.
- **\$16,600,000 Issue** – On July 15, 2000, Airports issued \$16,600,000 of term special facility bonds (Continental), Refunding Series of 2000, with an interest rate of 7%, due June 1, 2020, to, in part; refund \$18,225,000 of its outstanding Series of 1990 bonds (Continental). During the year ended June 30, 2015, the bonds were called in full on May 18, 2015. The bonds were subject to redemption on or after June 1, 2010, at the option of Airports, upon the request of Continental or, if the facilities are destroyed or damaged extensively, at 100% of principal, plus interest.

Special facility revenue bonds payable at June 30, 2015 consisted of \$21,725,000, and is classified as noncurrent.

The special facility leases are accounted for and recorded as direct financing leases. The remaining lease payments to be paid by the lessees (including debt service requirements on the special facility revenue bonds) are recorded as a restricted asset, and the special facility revenue bonds outstanding are recorded as a liability in the accompanying basic financial statements.

Harbors Revenue Bonds

The Harbors revenue bonds are collateralized by a charge and lien on the gross revenues of the commercial harbors system and upon all improvements and betterments thereto, and all funds and securities created in whole or in part from revenues or from the proceeds of any bonds issued. The Harbors revenue bonds are subject to redemption at the option of the DOT and the State during specific years at prices ranging from 102% to 100% of face value.

The following is a summary of the Harbors' revenue bonds issued and outstanding as of June 30, 2015 (amounts expressed in thousands):

Year of Issue	Final Redemption Date	Interest Rates	Original Amount of Issue	Current			
				Principal Due July 1, 2015	Due January 1, 2016	Total	Noncurrent
2004	January 1, 2024	2.50%–6.00%	\$ 52,030	\$ -	\$ 1,580	\$ 1,580	\$ 16,195
2006	January 1, 2031	4.00%–5.25%	96,570	\$ -	3,085	3,085	71,625
2007	July 1, 2027	4.25%–5.50%	51,645	2,000	-	2,000	34,000
2010	July 1, 2040	3.00%–5.75%	201,390	6,680	-	6,680	179,940
2013	July 1, 2029	3.25%	23,615	825	-	825	21,610
			\$ 425,250	\$ 9,505	\$ 4,665	14,170	323,370
Add: Unamortized premium						295	393
						\$ 14,465	\$ 323,763

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Debt service requirements to maturity on the business-type activities' revenue bonds for fiscal years ending June 30 are aggregated below (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ 49,895	\$ 59,312	\$ 109,207
2017	52,155	57,008	109,163
2018	54,545	54,610	109,155
2019	57,135	52,001	109,136
2020	59,745	49,354	109,099
2021–2025	332,670	200,373	533,043
2026–2030	196,440	129,724	326,164
2031–2035	173,875	81,159	255,034
2036–2040	215,180	31,951	247,131
2041	<u>11,140</u>	<u>313</u>	<u>11,453</u>
	\$ 1,202,780	\$ 715,805	\$ 1,918,585

The above debt service requirements are set forth based upon funding requirements. Principal and interest payments are required to be funded in the twelve-month and six-month periods, respectively, preceding the date on which the payments are due.

Revenue Bonds Authorized, but Unissued

At June 30, 2015, revenue bonds authorized, but unissued, were approximately \$5,320,885,000.

Special Purpose Revenue Bonds

HRS Chapter 39A authorizes the State (with legislative approval) to issue special purpose revenue bonds. Proceeds from those bonds are loaned to certain enterprises for projects deemed to be in the public interest. The bonds are not general obligations of the State and are payable solely from monies received by the State under project agreements with the recipients of the bond proceeds. Accordingly, the State has not included those bonds in its basic financial statements. Bonds outstanding at June 30, 2015 amounted to approximately \$1,395,048,000. At June 30, 2015, special purpose revenue bonds of \$1,218,555,000 were authorized, but unissued.

Improvement District Bonds

The HCDA is authorized to issue improvement district bonds under HRS Chapter 206E. Proceeds from the bond issues are utilized to finance the redevelopment of districts designated by the State Legislature. The bonds are not general obligations of the State and are payable solely by assessment liens on the real property of the designated district. Accordingly, the State has not included those bonds in its basic financial statements. There were no bonds outstanding as of June 30, 2015.

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6. Changes in Long-Term Liabilities

Changes in the long-term liabilities for the primary government (governmental activities and business-type activities) were as follows (amounts expressed in thousands):

Governmental Activities					
	Balance July 1, 2014 As Restated	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General obligation bonds payable	\$ 5,784,139	\$ 1,008,775	\$ (828,986)	\$ 5,963,928	\$ 412,213
Revenue bonds payable	412,725	313,680	(95,295)	631,110	44,862
Add: Unamortized premium	508,123	154,339	(88,017)	574,445	70,258
Total bonds payable	6,704,987	1,476,794	(1,012,298)	7,169,483	527,333
Accrued vacation payable	226,798	99,657	(106,582)	219,873	78,605
Reserve for losses and loss adjustment costs	147,120	32,092	(29,036)	150,176	28,361
Net pension liability	4,296,634	392,230	(778,290)	3,910,574	-
Other postemployment benefit liability	3,327,313	583,908	(313,470)	3,597,751	-
Capital lease obligations	102,622	-	(6,447)	96,175	6,984
Total	\$ 14,805,474	\$ 2,584,681	\$ (2,246,123)	\$ 15,144,032	\$ 641,283

Business-type Activities					
	Balance July 1, 2014 As Restated	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General obligation bonds payable, net	\$ 31,176	\$ -	\$ (1,844)	\$ 29,332	\$ 1,932
Revenue bonds payable	1,257,900	-	(55,120)	1,202,780	49,895
Add: Unamortized premium, net	20,237	-	(4,074)	16,163	295
Total bonds payable	1,309,313	-	(61,038)	1,248,275	52,122
Accrued vacation and retirement benefits payable	13,104	7,178	(6,516)	13,766	4,380
Reserve for losses and loss adjustment costs	4,829	1,467	(1,651)	4,645	1,272
Net pension liability	150,840	13,215	(26,747)	137,308	-
Other postemployment benefit liability	81,530	21,065	(7,212)	95,383	-
Lease revenue certificates of participation	173,771	-	(907)	172,864	-
Prepaid airport use charge fund	28,184	4,654	(19,593)	13,245	4,000
Loan payable	-	34,910	-	34,910	-
Total	\$ 1,761,571	\$ 82,489	\$ (123,664)	\$ 1,720,396	\$ 61,774

The accrued vacation liability attributable to the governmental activities will be liquidated by the State's governmental funds. Approximately 79%, 20% and 1% of the accrued vacation liability has been paid by the General Fund, Special Revenue Funds and Capital Projects Fund, respectively, during the fiscal year ended June 30, 2015.

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7. Interfund Receivables and Payables

Interfund receivables and payables consisted of the following at June 30, 2015 (amounts expressed in thousands):

	<u>Due From</u>	<u>Due To</u>
Governmental Funds		
General Fund		
Special Revenue Funds	\$ 45,689	\$ -
Capital Projects Fund	89,900	-
Med-Quest Special Revenue Fund	191,793	-
Proprietary Fund	20	-
Debt Service Fund	- <u>327,402</u>	35 <u>35</u>
Capital Projects Fund		
General Fund	- <u>1,597</u>	89,900 <u>89,900</u>
Proprietary Fund	<u>1,597</u>	-
Med-Quest Special Revenue Fund		
General Fund	- <u>191,793</u>	
Nonmajor Governmental Funds		
General Fund	<u>35</u>	<u>45,689</u>
Proprietary Fund		
Harbors	- <u>\$ 329,034</u>	1,617 <u>\$ 329,034</u>

The due from Capital Projects Fund in the General Fund consists primarily of funds transferred prior to the issuance of bonds. Remaining interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded, and payment between funds are made.

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8. Transfers

Transfers between funds occur when a fund receiving revenues, transfers resources to a fund where the resources are to be expended, or when nonrecurring or nonroutine transfers between funds occur. For the fiscal year ended June 30, 2015, transfers by fund were as follows (amounts expressed in thousands):

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund – Nonmajor Governmental Funds	\$ 138,955	\$ 750,264
Capital Projects Fund – Nonmajor Governmental Funds	<u>166,863</u>	<u>31,150</u>
Med-Quest Special Revenue Fund		
General Fund	3,790	78,861
Nonmajor Governmental Funds	<u>4,270</u>	<u>1,191</u>
	<u>8,060</u>	<u>80,052</u>
Nonmajor Governmental Funds		
General Fund	746,473	60,094
Capital Projects Fund	31,150	166,863
Med-Quest Special Revenue Fund	1,192	4,270
Other Nonmajor Governmental Funds	<u>78,579</u>	<u>78,579</u>
	<u>857,394</u>	<u>309,806</u>
	<u><u>\$ 1,171,272</u></u>	<u><u>\$ 1,171,272</u></u>

The General Fund transferred approximately \$675,201,000 to the Nonmajor Governmental Funds for debt service payments and approximately \$75,063,000 to subsidize various Special Revenue Funds' programs. Approximately \$166,863,000 of Highways receipts were transferred from the Nonmajor Governmental Funds to the Capital Projects Fund to finance capital projects.

9. Leases

Lease Commitments

Governmental Activities

The State leases office facilities and equipment under various operating leases expiring through fiscal 2025. Future minimum lease commitments for noncancelable operating leases as of June 30, 2015, were as follows (amounts expressed in thousands):

Fiscal Year	
2016	\$ 15,920
2017	12,775
2018	9,594
2019	7,013
2020	4,195
2021–2025	<u>4,098</u>
Total future minimum lease payments	<u><u>\$ 53,595</u></u>

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Rent expenditures for operating leases for the fiscal year ended June 30, 2015 amounted to approximately \$35,570,000.

An equipment lease purchase agreement between DAGS and Banc of America Public Capital Corp. was entered into on August 1, 2013, to fund the construction, acquisition and installation of energy conservation systems throughout the State. The proceeds of \$18,835,000 were deposited in an acquisition fund held in trust by an acquisition fund custodian to provide for future payments as requested by the State. Payments commenced on March 20, 2014 and continue through September 20, 2033 at an interest rate of 3.63%.

On April 14, 2011, an equipment lease purchase agreement between the Department of Public Safety and Capital One Public Funding, LLC was entered into, to fund the acquisition and installation of energy conservation equipment at the Halawa Correctional Facility and Oahu Community Correctional Center. An escrow agent to provide for future vendor payments as requested by the State deposited the proceeds of \$25,512,000 in an escrow fund. Payments commenced on May 1, 2012 and continue through November 1, 2030 at an interest rate of 5.021%.

An equipment lease purchase agreement between the DAGS and Capital One Public Funding, LLC was entered into on September 3, 2009, to fund the acquisition and installation of energy conservation equipment at various State buildings in the downtown Honolulu district. The proceeds of \$12,377,000 were deposited in an escrow fund by an escrow agent to provide for future vendor payments as requested by the State. Payments commenced on June 1, 2010 and continue through June 1, 2026 at an interest rate of 5.389%.

The State issued \$41,120,000 in Certificates of Participation (COPS) 2009 Series A, on November 5, 2009, to fully refund \$47,185,000 of the 1998 Series A Certificates and the 2000 Series A Certificates which proceeds were used to purchase the Kapolei State Office Building and the Capitol District Building. The net proceeds of \$43,490,000 (including a premium of \$2,876,000 and after payment of \$503,000 in underwriting fees) were deposited to the Depository Trust Company in an irrevocable trust with an escrow agent to provide for all future debt service payments on the previously issued outstanding COPS. As a result, these bonds are considered to be defeased, and the liability for these bonds has been removed from the Government-Wide financial statements. Due to the advance refunding, the State reduced its total debt service payments over the next ten years by \$7,487,000 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$7,061,000. Payments commenced on May 1, 2010, and continue through May 1, 2020 with interest rates ranging from 2.0% to 5.0%. The 2009 Series A Certificates are subject to prepayment prior to their maturity dates in the event of a casualty loss or governmental taking of all or a portion of the premises subject to the Leases, but are not otherwise subject to prepayment prior to maturity.

In November 2006, the State issued \$24,500,000 in COPS to finance the construction of the Kapolei Office and Conference Facility. The proceeds of the COPS were remitted to a trustee, who will then remit the amounts to the developer as construction progresses. The holders of the COPS are the current owners of the Kapolei Office and Conference Facility. Accordingly, the State's rental payments for the use of the Kapolei Office and Conference Facility are paid to a trustee, who then remits those amounts to the holders of the COPS. Payments commenced on May 1, 2007, and continue through November 1, 2031, with interest rates ranging from 3.63% to 5%. Title to the Kapolei Office and Conference Facility will transfer to the State upon the payment of all required rents.

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Future minimum lease payments for these capital leases are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ 6,984	\$ 4,782	\$ 11,766
2017	7,542	4,556	12,098
2018	8,591	3,952	12,543
2019	5,181	3,279	8,460
2020	5,720	3,043	8,763
2021–2025	24,095	11,780	35,875
2026–2030	26,331	5,781	32,112
2031–2034	11,731	695	12,426
Total future minimum lease payments	\$ 96,175	\$ 37,868	\$ 134,043

Capital assets acquired under these capital leases are as follows (amounts expressed in thousands):

Asset type	
Buildings and improvements	\$ 65,620
Equipment	56,724
Total assets	\$ 122,344

Business-Type Activities

Airports – Lease Revenue Certificates of Participation

Airports entered into a lease agreement with Johnson Controls, Inc. in December 2013. The costs relating to the lease and installation of certain equipment to implement the energy performance contract between Airports and Johnson Controls, Inc. was financed by lease revenue COPS issued by Airports in the amount of \$167,740,000 at interest rates ranging from 3.00% to 5.25%. These lease revenue COPS are payable from revenues derived by Airports from the ownership and operation of the Airports system and the receipts from aviation fuel taxes imposed by the State. At June 30, 2015, the outstanding balance of the lease revenue COPS and the unamortized premium were \$167,740,000 and \$5,124,000, respectively. Future lease rent payments for the lease revenue COPS as of June 30, 2015 are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ -	\$ 8,343	\$ 8,343
2017	4,745	8,272	13,017
2018	5,675	8,059	13,734
2019	6,490	7,787	14,277
2020	7,690	7,465	15,155
2021–2025	60,515	29,580	90,095
2026–2029	82,625	8,925	91,550
	\$ 167,740	\$ 78,431	\$ 246,171

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Lease Rentals

Airports – Airport-Airline Lease Agreement

The DOT and the airline companies serving the Airports system (signatory airlines) operated pursuant to an airport-airline lease agreement that was originally set to expire on July 31, 1992. Under the lease agreement, the signatory airlines each have the nonexclusive right to use the facilities, equipment, improvements and services of the Airports system and to occupy certain premises and facilities thereon. The lease agreement was extended under a series of five subsequent agreements, the last of which was executed in June 1994, and extended the expiration date to June 30, 1997 (hereafter the lease agreement and the five subsequent agreements are collectively referred to as the “lease extension agreement”). The lease extension agreement contains a provision under which the expiration date is automatically extended on a quarterly basis after June 30, 1997, unless terminated by either party upon at least 60 days prior written notice. In October 2007, the DOT and a majority of the signatory airlines executed the first amended lease extension agreement effective January 1, 2008.

Under the first amended lease extension agreement, the Airports system rates and charges are calculated using a rate-making methodology that recovers costs of specific airport system facilities from the signatory airlines that directly use them. The Airports system rates and charges consist of the following: (1) exclusive-use terminal charges based on a cost center residual rate-setting methodology and recovered on a per-square-foot basis, (2) joint-use premises charges (for nonexclusive use of terminal space, except for commuter terminal space) based on a cost center residual rate-setting methodology and recovered on a per enplaning or deplaning passenger basis, (3) commuter terminal charges based on appraisal and recovered on a per enplaning passenger basis, (4) international arrivals building charges based on a cost center residual rate-setting methodology and recovered on a per deplaning international passenger basis, (5) landing fees based on a cost center residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units), and (6) system support charges based on an Airports system residual rate-setting methodology and recovered on a revenue landing landed weight basis (per 1,000-pound units).

Airports – Prepaid Airport Use Charge Fund

The DOT and the signatory airlines entered into an agreement in August 1995 to extend the prepaid airport use charge fund (PAUCF). Net excess payments for fiscal years 1996 through 2015 have been transferred to the PAUCF.

Airports – Aviation Fuel Tax

In May 1996, the Department of Taxation issued a tax information release which stated that, effective July 1, 1996, the Hawaii fuel tax will not apply to the sale of bonded aviation/jet fuel to air carriers departing for foreign ports or arriving from foreign ports on stopovers before continuing on to their final destination. The aviation fuel tax amounted to approximately \$4,455,000 for fiscal year 2015.

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Airports — System Rates and Charges

Signatory and nonsignatory airlines were assessed the following rates and charges:

- Landing fees amounted to approximately \$63,805,000 for fiscal year 2015. Airport landing fees are shown net of aviation fuel tax credits of \$4,146,000 for fiscal year 2015, on the statement of revenues, expenses and changes in net position, which resulted in net airport landing fees of \$59,659,000 for fiscal year 2015. Airport landing fees are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports interisland landing fees for signatory airlines were set at 43% of the Airports landing fees for overseas flights for fiscal year 2015 and are scheduled to increase 1% annually until it reaches 100%.
- Nonexclusive joint-use premise charges for terminal rentals amounted to approximately \$55,591,000 for fiscal year 2015. Overseas and interisland joint-use premise charges were established to recover Airports system costs allocable to the overseas and interisland terminals joint-use space based on terminal rental rates, and are recovered based on a computed rate per enplaning or deplaning passenger.
- Exclusive use premise charges amounted to approximately \$42,076,000 for fiscal year 2015, and were computed using a fixed rate per square footage. Exclusive use premise charges for terminal rentals amounted to approximately \$21,290,000 for fiscal year 2015.
- Airports system support charges amounted to \$31,000 for fiscal year 2015, and were established to recover all remaining residual costs of the Airports system. Airports system support charges were established by Administrative Rules for nonsignatory airlines. Those rates are based on a computed rate per 1,000-pound units of approved maximum landing weight for each aircraft used in revenue landings. The Airports system interisland support charges for nonsignatory airlines are set at 32% of Airports system support charges for overseas flights.

Airports – Other Operating Leases

Airports leases building spaces and improvements to concessionaires, airline carriers, and other airport users. The terms of those leases range from 4 to 15 years for concessionaires and up to 65 years for other airport users. Concessionaire lease rentals are generally based on the greater of a percentage of sales or a minimum guarantee. Percentage rent included in concession fees revenues for the fiscal year ended June 30, 2015 was approximately \$37,578,000.

In fiscal years 2006 and 2013, Airports converted certain past-due amounts from two lessees and a lessee, respectively, into promissory notes. The notes bear interest at rates ranging up to 5.0%, and are due over periods ranging up to nine years. The balance of \$90,000 at June 30, 2015 is due as follows: \$9,000 in 2016, \$9,000 in 2017, \$9,000 in 2018, and \$63,000 thereafter.

Concession fees revenues from the DFS Group L.P. (DFS), which operates the in-bond (duty free) concession, the Honolulu International Airport retail concession, and the Kahului retail concession, accounted for approximately 22% of total concession fees revenues for the fiscal year ended June 30, 2015.

DFS was awarded a ten-year lease agreement for the in-bond concessions with the term commencing on June 1, 2007, and terminating on May 31, 2017. On August 31, 2010, the lease was amended under provisions of Act 33, 2009, Hawaii Session Laws 883. The amended lease contract provides for a minimum annual guarantee rent, as well as percentage rent on annual gross receipts exceeding certain levels. For the period from June 1, 2007 to May 31, 2011, the minimum

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annual guarantee rent was \$38 million and the percentage rent was as follows: (1) for total concession receipts greater than \$155 million, but less than \$195 million, 22.5% for on-airport sales, and 18.5% for off-airport sales; (2) for total concession receipts greater than \$195 million, but less than \$235 million, 30.0% for on-airport sales and 22.5% off-airport sales; (3) for total concession receipts greater than \$235 million, but less than \$275 million, 30.0% for on-airport sales, and 26.5% for off-airport sales; and (4) for total concession receipts greater than \$275 million 30.0% for on-airport sales and off-airport sales. For the period from June 1, 2011 to May 31, 2017, the minimum annual guarantee rent is equal to 85% of the total rent paid for the fourth year of the lease term. Percentage rent during this period is calculated the same as during the first four years of the lease term.

Effective October 31, 2014, the in-bond concession lease agreement was amended and the lease was extended through May 31, 2027. The amended lease contract provides (a) for the period from June 1, 2017 through May 31, 2019, \$40 million, (b) for the period of June 1, 2019 through May 31, 2020, \$47.5 million, (c) for the period June 1, 2020 through May 31, 2021, 85% of the actual annual fee paid and payable (either minimum annual guarantee (MAG) rent or percentage rent) for the previous year, (d) for the period of June 1, 2021 through May 31, 2022, the same as the previous year, (e) for the period of June 1, 2022 through May 31, 2023, 85% of the actual fee paid and payable for the previous year, (f) for the period from June 1, 2023 through May 31, 2027, the same as the MAG rent for the period of June 1, 2022 through May 31, 2023. The percentage fee for the extension period will be set at 30% of gross receipts from on-airport sales and 18% of gross receipts from off-airport sales. Percentage fee for merchandise converted from duty free status to duty paid status shall be 1.25%, and the concession fee for items that are "High Price/Low Margin Merchandise" shall be 2.5% of the gross receipts from the sale. In addition, DFS agreed to pay \$27.9 million for improvements to the Central Waiting Lobby Building at Honolulu International.

In March 2009, DFS was awarded a five-year lease agreement for the retail concession at the Honolulu International Airport, with the term commencing on April 1, 2009, and scheduled to terminate on March 14, 2014. Rents were computed as the higher of (1) percentage rent of 20% of gross receipts and (2) MAG rent (85% of the actual annual fee paid for the preceding year). The lease agreement was extended for a holdover period through March 31, 2015. During the holdover period, the MAG rent was \$12 million. Subsequently, on October 31, 2014, the lease agreement was amended to extend the term through March 31, 2025. The amendment provided that the MAG rent for the period April 1, 2015 through March 31, 2016 be \$12 million and for each subsequent year, the MAG rent will be 85% of the actual annual fee paid for the preceding year.

Harbors – Aloha Tower Complex Development

The Aloha Tower Development Corporation (ATDC), a blended component unit of the State, is an agency established under HRS Chapter 206J, primarily to redevelop the Aloha Tower complex. The complex encompasses Piers 5 to 23 of Honolulu Harbor. In September 1993, Harbors entered into a lease with the ATDC which grants a leasehold interest to the ATDC of portions of the Aloha Tower complex. The ATDC is required annually to reimburse Harbors for any losses in revenues during the term of the lease caused by any action of the ATDC or the developer of the Aloha Tower complex, and to provide replacement facilities for maritime activities at no cost to Harbors.

In September 1993, the ATDC subleased lands surrounded by Piers 8 and 9 and a portion of land surrounded by Pier 10 to a developer, and the developer and Harbors entered into a capital improvements, maintenance, operations and securities agreement (Operations Agreement). The Operations Agreement allows Harbors to operate the harbor facilities at Piers 8, 9 and 10.

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The lease between the ATDC and the developer requires the developer to construct, at the developer's cost, various facilities including a marketplace. The developer later went into bankruptcy. The subsequent operator of the marketplace assumed the obligations of the sublease and the Operations Agreement in March 1998. This replacement operator has also gone through a bankruptcy proceeding and there is a new operator who has assumed the same obligations. Although the marketplace construction was substantially completed, several items on Harbors' construction punchlist have yet to be completed and were pursued with the new operator. A settlement was reached with the new operator to satisfy the punchlist obligations, which have a total value of \$3,500,000, depending upon when actual payments are made by the operator within a six-year timeframe.

An amendment of the lease executed in fiscal 2006 altered the obligations of the ATDC to reimburse Harbors on an annual basis. For the fiscal year commencing July 1, 2004, the amendment provides that the ATDC shall pay \$225,000 as a minimum annual base payment. The amendment further provides that for the fiscal year commencing July 1, 2005 onward, for any year in which the ATDC shall pay for all or any portion of the cost of personnel and other expenses relating to the Hawaii Harbors Project, the parties agree that the minimum annual base payment shall be commensurately reduced by such payments.

In addition to the minimum annual base payment, the ATDC shall also pay an amount equal to 50% of the difference between the total revenues received by the ATDC for such fiscal year and the operating expenses of the ATDC for such fiscal year (equity payment) to reduce the amount owed to Harbors for losses in revenues by the ATDC prior to July 1, 2004. The amendment provides for an increase in the equity participation payment as the ATDC's revenues increase. The balance owed to Harbors by ATDC as of June 30, 2015 was approximately \$3,761,000.

Subsequent to the year ended June 30, 2015, the State, by its Interim Director of the DOT, entered into a successor memorandum of understanding with the ATDC and Hawaii Lifestyle Retail Properties, (HLRP) whereby ATDC agreed to retroactively abate rent under the lease between the ATDC and HLRP for the period July 1, 2014 to June 30, 2015 in consideration for the construction of HLRP improvements to create student and faculty residences and various university spaces for Hawaii Pacific University and to memorialize the understanding of the parties with respect to various aspects of its agreement.

\$1,000,000 in rent has been abated for fiscal year July 1, 2014 to June 30, 2015. As ATDC will not be receiving any revenues during this period, it will not be making an equity participation payment to Harbors in an amount of 50% of the difference between the total revenues and total operating expense of ATDC for the fiscal year, representing a loss of approximately \$388,000 to Harbors in fiscal year 2015.

The successor memorandum of understanding also amended the punchlist obligations owed to Harbors, which had a total value of \$3,500,000, depending upon when actual payments are made within a six year timeframe ending June 2016. The amendment provided that in consideration of ATDC's issuance of any renewed leases, HLRP shall pay Harbors the sum of \$1,750,000 on or before December 31, 2021.

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Harbors – Leasing Operations

Harbors leases land, wharf and building spaces under month-to-month revocable permits and long-term leases. The long-term leases expire during various years through September 2058. Those leases generally call for rental increases every five to ten years based on a step-up or independent appraisals of the fair rental value of the leased property.

Revenues for the fiscal year ended June 30, 2015 amounted to \$23,413,000 and have been included in rental revenues.

The following schedule presents the approximate future minimum lease rentals under noncancelable operating leases of the Proprietary Funds as of June 30, 2015 (amounts expressed in thousands):

Fiscal Year	Proprietary Funds		
	Airports	Harbors	Total
2016	\$ 87,425	\$ 7,291	\$ 94,716
2017	61,359	5,959	67,318
2018	62,585	5,673	68,258
2019	61,683	5,122	66,805
2020	58,094	5,098	63,192
2021–2025	56,271	25,608	81,879
2026–2030	36,297	24,587	60,884
2031–2035	1,384	19,972	21,356
2036–2040	445	12,725	13,170
2041–2045	6	9,813	9,819
2046–2050	-	3,687	3,687
2051–2055	-	2,599	2,599
2056–2059	-	1,445	1,445
	\$ 425,549	\$ 129,579	\$ 555,128

Net Investment in Direct Financing Leases

Certain leases of state-owned special facilities to parties engaged in airline operations are accounted for as direct financing leases. At June 30, 2015, net investments in direct financing leases of Airports consisted of the following (amounts expressed in thousands):

Total minimum lease payments receivable	\$ 35,847
Less: Amount representing interest	(15,123)
	20,724
Cash with trustee and other	1,154
	\$ 21,878

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Minimum future rentals to be received under direct financing leases of Airports as of June 30, 2015, consisted of the following (amounts expressed in thousands):

Fiscal Year	
2016	\$ 1,222
2017	1,222
2018	1,222
2019	1,222
2020	1,222
2021–2025	6,110
2026–2028	<u>24,780</u>
	\$ <u>37,000</u>

10. Significant Transactions With Component Units

Hawaii Housing Finance and Development Corporation

Amounts payable from the State to the HHFDC include approximately \$9,098,000 of amounts due from DHHL related to a previous agreement to transfer certain land and development rights to the State. Pursuant to this agreement, the State was required to commence 15 annual \$2,200,000 payments to the HHFDC in December 2004. Effective at that time, the HHFDC recorded the sale of the land and development rights and the net present value of the estimated future cash flows from the State using an imputed interest rate. The agreement was amended to reduce the annual payments to \$1,700,000.

Hawaii Health Systems Corporation

In fiscal year 2003, HHSC received a \$14,000,000 advance from the State to relieve its cash flow shortfall. At June 30, 2015, the full amount was not yet repaid to the State. The amount due to the State of \$34,123,000 at June 30, 2015 includes the \$14,000,000 advance plus \$20,123,000 of cash advances that was assumed by HHSC.

Hawaii Tourism Authority

During the period from October 1992 through April 1998, the State issued a series of general obligation bonds whose proceeds were used to fund the construction of the Center. These bonds are obligations of the State and are secured by the State's full faith and credit. The debt service for the general obligation bonds is to be primarily funded by an allocated portion of the State's transient accommodations tax (TAT) revenue and revenue generated from the operation of the Center. Through June 30, 2000 and from July 1, 2000 to June 30, 2002, these funds were collected and accounted for by the Convention Center Authority (CCA) and Budget and Finance, respectively.

Effective July 1, 2002, the Convention Center Fund was established by Act 253, SLH 2002. In accordance with Act 253, the Convention Center Fund was placed within HTA and was created to receive all revenues generated from the Center's operations and an allocated portion of the revenues received from the State's TAT. Act 253 further states that all funds collected by the Convention Center Fund are to be used to pay all expenses arising from the use and operation of the Center and to pay any and all debt service relating to the Center. However, responsibility for debt service payments to the bondholders on the general obligation bonds referred to above remains with the State through Budget and Finance.

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The creation of the Convention Center Fund provided HTA the ability to reimburse Budget and Finance for debt service payments in accordance with a predetermined payment plan, which had been assigned to HTA by the CCA. The terms of the payment plan require HTA to reimburse Budget and Finance for principal and interest payments at an imputed interest rate of 6% through January 1, 2027. The payment plan is not directly related to the actual debt service on the general obligation bonds issued to finance the Hawaii Convention Center. HTA's ability to meet its obligations in accordance with the payment plan is dependent upon the funds received by the Convention Center Fund. At June 30, 2015, the outstanding principal and aggregate interest amounts required to be reimbursed by HTA were \$207,205,000 and \$109,946,000, respectively. The scheduled payments to maturity for each of the next five years and thereafter in five-year increments are as follows (amounts expressed in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ 14,755	\$ 11,671	\$ 26,426
2017	15,645	10,786	26,431
2018	16,580	9,847	26,427
2019	17,575	8,852	26,427
2020	18,630	7,798	26,428
2021–2025	111,330	20,817	132,147
2026–2030	12,690	40,175	52,865
	<hr/> \$ 207,205	<hr/> \$ 109,946	<hr/> \$ 317,151

For the year ended June 30, 2015, HTA was required to reimburse Budget and Finance approximately \$26,400,000 for principal and interest.

Hawaii Hurricane Relief Fund

In 2002, Act 179, SLH 2002, provided that all interest and dividends earned from the principal in the hurricane reserve trust fund be transferred and deposited into the State General Fund each year that the hurricane reserve trust fund remains in existence, beginning with fiscal year 2003. For the year ended June 30, 2015, interest and dividends earned and earmarked for transfer into the State General Fund amounted to \$2,440,000.

In 2011, Act 62, SLH 2011 appropriated \$42,000,000 from the HHRF into the General Fund to help balance the State's fiscal year 2011 budget. The law authorized the Governor to appropriate additional monies from HHRF, as necessary, to balance the fiscal year 2011 State Budget. HHRF pledged to transfer an additional \$69,000,000 to the General Fund as of June 30, 2011 and made the transfer in July 2011.

The transfers to the General Fund reduced the balance of HHRF to levels below what would be adequate to buy reinsurance in the event of a hurricane. However, Act 62 established a mechanism to replenish the HHRF from fiscal years 2014 and 2015 general excise tax revenues and authorizes HHRF to issue \$75,000,000 in revenue bonds through June 30, 2015. HHRF did not issue any revenue bonds as of June 30, 2015.

In 2013, Act 266, SLH 2013 appropriated \$55,500,000 from general excise tax revenues for fiscal years 2014 and 2015 to be deposited into the HHRF. The fiscal years 2014 and 2015 transfers were made in September 2013 and 2014, respectively. Act 266 authorized to further accelerate recapitalization of fiscal reserves, by transferring an additional \$50,000,000 to HHRF, which was made in November 2013.

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11. Retirement Benefits

Pension Plan

Plan Description

All eligible employees of the State and counties are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. Benefit terms, eligibility, and contribution requirements are established by HRS Chapter 88 and can be amended through legislation. The ERS issues a publicly available financial report that can be obtained at ERS' website: <http://www.ers.ehawaii.gov>.

Benefits Provided

The ERS provides retirement, disability and death benefits that are covered by the provisions of the noncontributory, contributory and hybrid retirement plans. The three plans provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% or 2%) multiplied by the average final compensation multiplied by years of credited service. The benefit multiplier decreased by 0.25% for new hybrid and contributory class members hired after June 30, 2012. Average final compensation is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for employees hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for employees hired prior to January 1, 1971.

For members hired before July 1, 2012, the original retirement allowance is increased by 2.5% each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2.5% of the original retirement allowance without a ceiling (2.5% of the original retirement allowance the first year, 5% the second year, 7.5% the third year, etc.). For members hired after June 30, 2012, the post-retirement annuity increase was decreased to 1.5% per year.

Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

- ***Retirement Benefits*** – General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.
- ***Disability Benefits*** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.
- ***Death Benefits*** – For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

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Ten years of credited service is required for ordinary death benefits. For ordinary death benefits, the surviving spouse/reciprocal beneficiary (until remarriage/reentry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension.

Contributory Class for Employees Hired prior to July 1, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

Police officers and firefighters' retirement benefits are determined as 2.5% of average final compensation for each year of service up to a maximum of 80%. Police officers and firefighters with five years of credited service are eligible to retire at age 55.
- *Disability Benefits* – Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.
- *Death Benefits* – For service-connected deaths, the designated beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal beneficiary until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump-sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Employees Hired After June 30, 2012

- *Retirement Benefits* – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Judges and elected officers' retirement benefits are determined as 3.0% of average final compensation multiplied by the years of credited service up to a maximum of 75%. Judges and elected officers with ten years of credited service are eligible to retire at age 60.

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Police officers and firefighters' retirement benefits are determined as 2.25% of average final compensation for each year of service up to a maximum of 80%. Police officers and firefighters with ten years of credited service are eligible to retire at age 60.

- ***Disability and Death Benefits*** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are 3% of average final compensation for each year of service for judges and elected officers and 1.75% of average final compensation for each year of services for police officers and firefighters and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

Death benefits for contributory class members hired after June 30, 2012 are generally the same as those for contributory class members hired June 30, 2012 and prior.

Hybrid Class for Employees Hired Prior to July 1, 2012

- ***Retirement Benefits*** – General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.
- ***Disability Benefits*** – Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.
- ***Death Benefits*** – For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation to the surviving spouse/reciprocal until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

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Hybrid Class for Employees Hired After June 30, 2012

- ***Retirement Benefits*** – General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.
- ***Disability and Death Benefits*** – Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 120%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary or if less than ten years of service, return of the member's contributions and accrued interest.

Contributions

Contributions are established by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2015 were 24.00% for police officers and firefighters and 16.50% for all other employees. Contributions to the pension plan from the State were \$350,350,000 for the fiscal year ended June 30, 2015.

The employer is required to make all contributions for noncontributory members. For contributory class employees hired prior to July 1, 2012, general employees are required to contribute 7.8% of their salary and police officers and firefighters are required to contribute 12.2% of their salary. For contributory class employees hired after June 30, 2012, judges and elected officials are required to contribute 9.8% of their salary and police officers and firefighters are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the State reported a liability of approximately \$4.0 billion for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plan relative to projected contributions of all participants, actuarially determined. At June 30, 2014, the State's proportion was 58.4835% which was an increase of 0.8459% from its proportion measured as of June 30, 2013.

There were no changes in other assumptions and inputs that affected the measurement of the total pension liability since the prior measurement date. There were no changes between the measurement date, June 30, 2014, and the reporting date, June 30, 2015, that are expected to have a significant effect on the proportionate share of the net pension liability.

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For the year ended June 30, 2015, the State recognized pension expense of approximately \$438,288,000. At June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,071	\$ (1,151)
Net difference between projected and actual earnings on pension plan investments	-	(472,758)
Changes in proportion and differences between State contributions and proportionate share of contributions	7,352	-
State contributions subsequent to the measurement date	445,933	-
Total	\$ 504,356	\$ (473,909)

The \$445,933,000 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts expressed in thousands):

Year ending June 30,	
2016	\$ (122,715)
2017	(122,715)
2018	(122,715)
2019	(122,715)
2020	10,640
	<hr/>
	\$ (480,220)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Payroll growth rate	3.5%
Investment rate of return	7.75% per year, compounded annual including inflation

The same rates were applied to all periods. There were no changes to ad hoc postemployment benefits including COLA.

Post-retirement mortality rates are based on Client Specific Tables and the 1994 US Group Annuity Mortality Statistic Tables for police officers and firefighters. Pre-retirement mortality rates are based on the RP-2000 tables.

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The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2010. ERS updates their experience studies every five years.

The long-term expected rate of return on pension plan investments was determined using a “top down approach” of the Bespoke Client-Constrained Simulation-based Optimization Model (a statistical technique known as “re-sampling with a replacement” that directly keys in on specific plan-level risk factors as stipulated by the ERS Board) in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.0%	8.50%
International equity	26.0%	9.00%
Total fixed-income	20.0%	3.10%
Real estate	7.0% *	8.50%
Private equity	7.0% *	11.80%
Real return	5.0% *	6.10%
Covered calls	5.0%	7.70%
Total investments	100.0%	

* The real estate, private equity and real return targets will be the percentage actually invested up to 7.0%, 7.0% and 5.0%, respectively, of the total fund. Changes in the real estate, private equity and real return targets will be offset by an equal percentage change in the large cap domestic equity target.

Discount Rate

The discount rate used to measure the net pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the State will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. There has been no change in the discount rate since the prior measurement date.

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Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate (amounts expressed in thousands):

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
State's proportionate share of the net pension liability	\$ 5,144,453	\$ 4,047,882	\$ 2,968,816

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position is determined on the same basis used by the pension plan. The ERS financial statements are prepared using the accrual basis of accounting under which expenses are recorded when the liability is incurred, and revenues are recorded in the accounting period in which they are earned and become measurable. Employer and member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded as of their trade date. Administrative expenses are financed exclusively with investment income.

There were no significant changes after the report measurement date. Detailed information about the pension plan's fiduciary net position is available in the separately issued ERS financial report. ERS' complete financial statements are available at: <http://www.ers.ehawaii.gov>.

Payables to the Pension Plan

At June 30, 2015, the amount payable to the ERS was \$14,937,000.

Post-Retirement Health Care and Life Insurance Benefits

Plan Descriptions

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the EUTF, an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues an annual financial report that is available to the public. That report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

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For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least ten years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

Cost

Effective July 1, 2006, the State implemented GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. Statement 43 establishes accounting and financial reporting standards for plans that provide other postemployment benefits (OPEB) other than pensions. Statement 43 requires defined benefit OPEB plans that are administered as trust or equivalent arrangements to prepare a statement of plan assets and a statement of changes in plan assets.

The reporting of active and retiree (including their respective beneficiaries) healthcare benefits provided through the same plan should separate those benefits for accounting purposes between active and retiree healthcare benefits. Accordingly, the State reports the retiree healthcare benefits as OPEB in conformity with Statement 43 and the active employee healthcare benefits as risk financing in conformity with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended.

The State is required by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to obtain an actuarial valuation every other year. Therefore, an actuarial valuation was performed as of July 1, 2013.

The State's base contribution levels to EUTF are established by statutes and the retiree is responsible to pay the difference if the base contribution is less than the cost of the monthly premium.

Prior to fiscal year 2014, the State's base contribution levels were tied to the pay-as-you-go amounts necessary to provide current benefits to retirees. In fiscal year 2015, the State contributed \$117,400,000 in addition to amounts necessary to provide current benefits to retirees.

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The State's annual OPEB cost for each plan was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters in Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the annual OPEB cost, contributions made, the net OPEB liability, and the funding status for the EUTF and UH for each of the plans for the fiscal year ended June 30, 2015 (amounts expressed in thousands):

	EUTF	UH
Annual required contribution	\$ 614,251	\$ 103,438
Interest on net OPEB obligation	261,341	40,544
Adjustment to annual required contribution	<u>(199,651)</u>	<u>(30,973)</u>
Annual OPEB cost	675,941	113,009
Contributions made	<u>(352,000)</u>	<u>(41,400)</u>
Increase in net OPEB obligation	323,941	71,609
Net OPEB obligation		
Beginning of year	3,733,472	579,196
End of year	<u>\$ 4,057,413</u>	<u>\$ 650,805</u>
Actuarial accrued liability (AAL) July 1, 2013	\$ 7,343,756	\$ 1,185,790
Funded OPEB plan assets	-	-
Unfunded actuarial accrued liability (UAAL) July 1, 2013	<u>\$ 7,343,756</u>	<u>\$ 1,185,790</u>
Funded ratio	0.0%	0.0%
Covered payroll	\$ 2,341,231	\$ 550,758
UAAL as percentage of covered payroll	313.7%	215.3%

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the preceding years were as follows (amounts expressed in thousands):

	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
			2015	
EUTF	June 30, 2015	\$ 675,941	52.1%	\$ 4,057,413
	June 30, 2014	650,816	52.0%	3,733,472
	June 30, 2013	867,567	27.2%	3,420,854
UH	June 30, 2015	\$ 113,009	36.6%	\$ 650,805
	June 30, 2014	106,832	39.3%	579,196
	June 30, 2013	142,602	29.2%	514,364

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements,

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is designed to present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

On July 3, 2013, the Governor signed into law Act 268, SLH 2013. Act 268 requires the EUTF to establish and administer separate trust accounts for each public employer for the purpose of receiving irrevocable employer contributions to prefund post-employment health and other benefit costs for retirees and their beneficiaries. It establishes the Hawaii EUTF Trust Fund Task Force to examine further steps to address the unfunded liability and requires all public employers to make annual required public employer contributions effective fiscal year 2014. Commencing fiscal year 2019, the annual public employer contribution shall be equal to the annual required contribution, as determined by an actuary retained by the EUTF board. In any fiscal year, should an employer's contribution be less than the annual required public employer contribution, the difference shall be transferred to the appropriate trust account from a portion of all general excise tax revenues, for the State, or transient accommodations tax revenues, for the counties.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

EUTF and UH	
Actuarial valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed
Remaining amortization period	30 years
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.0%
Projected salary increase	3.5%
Healthcare inflation rates	
PPO	9.0% initial, 5.0% after 10 years
HMO	7.5% initial, 5.0% after 10 years
Dental	4.0%
Vision	3.0%
Medicare Part B	5.0%

Effective July 1, 2015, the active contracts for medical, prescription drug, dental, vision, supplemental medical drug, and life insurance were extended through June 30, 2016.

The Governor signed into law Act 226, SLH 2013 that among other things, prohibited mandatory mail order. The EUTF voluntarily implemented Act 226 on October 1, 2013 for active employees and January 1, 2014 for retirees.

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12. Commitments and Contingencies

Commitments

General Obligation Bonds

The State has issued general obligation bonds in which repayments, including interest, are reimbursed from specific revenue sources of the Special Revenue Funds with terms corresponding to that of the related general obligation bonds (see Note 4). At June 30, 2015, outstanding commitments to repay general obligation bonds consisted of the following (amounts expressed in thousands):

Special Revenue Funds

Highways	\$ 5,116
Agriculture	6,164
Natural Resources	1,886
All other	83
	<hr/>
	\$ 13,249

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the ERS. At June 30, 2015, accumulated sick leave was approximately \$1,138,857,000.

Intergovernmental Expenditures

In accordance with Act 174, SLH 2014, HRS Section 237D-6.5, transient accommodation tax revenues collected are to be distributed to the counties as follows: \$103,000,000 for fiscal year 2014-2015, \$103,000,000 for fiscal year 2015–2016, and \$93,000,000 for each fiscal year thereafter.

Guarantees of Indebtedness

The State is authorized to guarantee indebtedness of others at a maximum amount of approximately \$233,500,000 for aquaculture/agriculture loans, Hawaiian Home Lands loans, various projects involving mortgage loans for rental homes made by private nonprofit corporations or governmental corporations, mortgage loans for housing projects, and rental assistance obligations of Component Units – HHFDC and HPHA. The State has not paid, nor does it expect to pay, any amounts as a result of such guarantees as of June 30, 2015.

Proprietary Fund Type — Enterprise Funds

Construction and Service Contracts

At June 30, 2015, the Enterprise Funds had commitments of approximately \$502,766,000 for construction and service contracts.

Contingencies

The State has been named as defendant in numerous lawsuits and claims arising in the normal course of operations. To the extent that the outcome of such litigation has been determined to result in probable financial loss to the State, such loss has been accrued in the basic financial statements. Of the remaining claims, a number of claims may possibly result in adverse judgments against the State. However, such claim amounts cannot be reasonably estimated at this time.

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The litigation payments relating to the fiscal years ended June 30, 2015, 2014 and 2013 approximated \$5,322,000, \$20,344,000 and \$17,790,000, respectively.

Tobacco Settlement

In November 1998, the State settled its tobacco lawsuit as part of a nationwide settlement involving 46 other states and various tobacco industry defendants. Under the settlement, those tobacco companies that have joined in the Master Settlement Agreement will pay the State approximately \$1.3 billion over a 25-year period. The State is to receive proceeds from this settlement in January and April of the subsequent year through 2004 and thereafter on April 15 of each subsequent year. The State has received approximately \$47,229,000 during the fiscal year ended June 30, 2015. As of June 30, 2015, the State expects to receive \$27,200,000 for the first six months of fiscal 2016.

Office of Hawaiian Affairs and Ceded Lands

In 1898, the former Republic of Hawaii transferred certain lands to the United States. Upon Hawaii's admission to the Union in 1959, the United States reconveyed title to those lands (collectively, the Ceded Lands) to the State of Hawaii to be held as a public trust for five purposes: (1) public education; (2) betterment of the conditions of native Hawaiians; (3) development of farm and home ownership; (4) making public improvements; and (5) provision of land for public use. On November 7, 1978, the State Constitution was amended expressly to provide that the Ceded Lands, excluding any "available lands" as defined in the Hawaiian Homes Commission Act of 1920, as amended, were to be held as a public trust for native Hawaiians and the general public, and to establish OHA to administer and manage the proceeds and income derived from a pro rata portion of the Ceded Lands as provided by law, to better the conditions of native Hawaiians. In 1979, the Legislature adopted HRS Chapter 10 (Chapter 10), which, as amended in 1980, specified, among other things, that OHA expend 20% of the funds derived by the State from the Ceded Lands for the betterment of native Hawaiians. Since then, the State's management of the Ceded Lands and its disposition of the proceeds and income from the Ceded Lands have been challenged by OHA, and individual native Hawaiians, Hawaiians and non-Hawaiians. Claims have been made under Article XII, Sections 4 and 6 of the Hawaii Constitution to the effect that the State has breached the public trust, and OHA has not received from the Ceded Lands all of the income and proceeds that it should be receiving. Except for the claims pending in the *OHA v. HHA* case discussed below, the Legislature, the state and federal courts, and the State's governors have acted to address the concerns raised. However, there can be no assurance that in the future there will not be asserted against the State new claims made under Article XII, Sections 4 and 6 of the Hawaii Constitution that the State has breached the public trust, or that OHA is not receiving from the Ceded Lands all of the income and proceeds that it should be receiving.

In OHA v. HHA, OHA filed suit on July 27, 1995 (*OHA v. HHA, et al.*, Civil No. 95-2682-07 (1st Cir.)) against the Hawaii Housing Authority (the HHA, since succeeded by the Hawaii Public Housing Authority, as described below), the executive director of the HHA, the board members of the HHA and the Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of Ceded Lands which were transferred to the HHA for its use to develop, construct and manage additional affordable public rental housing units under HRS Chapter 201G. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in *OHA, et al. v. State of Hawaii, et al.*, Civil No. 94-0205-01 (1st Cir.). The September 12, 2001 decision of the Hawaii Supreme Court (*OHA v. State of Hawaii*, 96 Haw. 399 (2001)) includes elements, with which OHA disagrees, that would require dismissal of OHA's claims in *OHA v. HHA*, and the case remains pending.

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The Housing Finance and Development Corporation and the HHA were merged into the Housing and Community Development Corporation of Hawaii, after the above-described suits against them were filed. This corporation subsequently was bifurcated into the Hawaii Housing Finance and Development Corporation and the Hawaii Public Housing Authority.

The State intends to defend vigorously against OHA's claim in *OHA v. HHA*. Resolution of all claims in favor of OHA and its beneficiaries could have a material adverse effect on the State's financial condition.

Department of Hawaiian Home Lands

In 1991, the Legislature enacted HRS Chapter 674, entitled "Individual Claims Resolution Under the Hawaiian Home Lands Trust," which established a process for individual beneficiaries of the Hawaiian Homes Commission Act of 1920 (HHCA) to file claims to recover actual economic damages they believed they suffered from a breach of trust caused by an act or omission of an official of the State between August 21, 1959, when Hawaii became a state, and June 30, 1988. Claims were required to be filed no later than August 31, 1995. There were 4,327 claims filed by 2,753 individuals.

The process was a three step process which: (1) began with informal proceedings presided over by the Hawaiian Home Lands Trust Individual Claims Review Panel (the Panel) to provide the Legislature with non-binding findings and advisory opinions for each claim; (2) provided for the Legislature's review and consideration of the Panel's findings and advisory opinions, and appropriations of funds to pay the actual economic damages the Legislature deemed appropriate; and (3) allowed claimants to bring *de novo* civil actions by December 31, 1999 if they were not satisfied with the Panel's findings and advisory opinions, or the Legislature's response to the Panel's recommendations.

In 1997, the Legislature declared its intent to postpone acting upon the Panel's recommendations until all claims had been reviewed and forwarded to it. Legislation to allow the Panel and the Legislature until September 30, 2000 to act on all claims, and postpone the deadline for unsatisfied claimants to file suit until December 31, 2000, was adopted by the Legislature, but vetoed by the Governor in the 1999 regular session, and the Panel sunsetted on December 31, 1999.

On December 29, 1999, three claimants filed a class action lawsuit in the state circuit court for declaratory and injunctive relief and for general, special and punitive damages for breach of trust or fiduciary duty under HRS Chapters 674 and 673, violation of the due process, equal protection and native rights clauses of the State Constitution, and breach of contract under HRS Chapter 661.

Kalima et al. v. State of Hawaii et al., Civil No. 99-4771 12VSM (1st Cir.) (*Kalima I*). Five other claimants filed similar individual claims actions for themselves on or before December 31, 1999. The plaintiffs in these other actions stipulated to stay all proceedings in their actions pending the resolution of all questions of law in *Kalima I* that are common to the questions of law presented in their suits. Following the dismissal without prejudice of the actions of four of the five claimants, only one lawsuit, *Aguiar v. State of Hawaii, et al.*, Civil No. 99-612 (3rd Cir.) (*Aguiar*), is pending and stayed.

On March 30, 2000, the three named plaintiffs in *Kalima I* filed a second class action lawsuit in the state circuit court for declaratory and injunctive relief, and for damages under HRS Chapter 673, for the Panel's and Legislature's alleged failure to remedy their breach of trust claims under HRS Chapter 674.

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Kalima et al. v. State of Hawaii, et al., Civil No. 00-1-1041-03 (1st Cir.) (*Kalima II*). All proceedings in this action were stayed by stipulation, pending the resolution of those questions of law in *Kalima I* that are common to both *Kalima I* and *Kalima II*. *Kalima I*, *Kalima II* and Aguiar are collectively referred to under this caption as the “Individual Claims Cases.”

The plaintiffs in *Kalima I* filed a motion for partial summary judgment and asked the circuit court to declare that they were entitled to sue for breach of trust and recover damages under HRS Chapter 674. The State moved to dismiss the complaint and all claims in *Kalima I* for lack of subject matter jurisdiction. The circuit court granted the plaintiffs’ motion and denied the State’s motion. The State was permitted to take an interlocutory appeal. In an opinion issued June 30, 2006, the Hawaii Supreme Court affirmed the circuit court’s determination that the plaintiffs were entitled to pursue their claims under HRS Chapter 674, but did not have a right to sue under HRS Chapter 661, and remanded the case back to the trial court for further proceedings.

The plaintiffs in *Kalima I* have since filed first and second amended complaints to add 11 plaintiffs, and to divide the class into nine subclasses to include those with claims for damages for injuries allegedly suffered by (1) allegedly waiting too long to receive a homestead, (2) being barred from or delayed in receiving a homestead by allegedly ultra vires rules, (3) receiving allegedly uninhabitable homesteads, (4) allegedly lost applications, (5) allegedly defectively constructed homes or infrastructure, (6) allegedly being prevented from or delayed in succeeding to a parent’s or spouse’s homestead, (7) the manner in which the loans were administered, (8) the manner in which the leases were administered and (9) other allegedly wrongful conduct. The court granted the plaintiffs’ motion to try the waiting list subclass’ claims separately and first, and after a six week bifurcated trial to determine liability only, the circuit judge for *Kalima II* ruled on November 3, 2009 that the State committed three breaches of trust between 1959 and 1988, and further proceedings were necessary to determine the amount of out-of-pocket damages the waiting list subclass members sustained, if any, as a result of those breaches.

By orders entered on November 24, 2009 and June 6, 2011, respectively, the Waiting List Liability Subclass certified for purposes of determining liability was recertified for the purpose of establishing causation and the fact of damages (over the State’s objection), and again as the Waiting List Damages Model Subclass for the purpose of devising a model for use on a class-wide basis to determine the amount of damages subclass members may be awarded. Notice to the putative members of the Waiting List Damages Model Subclass of the right to opt-out of the Waiting List Damages Model Subclass was mailed to all members of the Waiting List Liability Subclass on May 22, 2012, and published on the DHHL Website, and in the DHHL and OHA newsletters.

Multiple motions to establish a damages model were filed and heard between March 2011 and August 31, 2012. Orders were entered on January 24, 2012, and February 14, 2013. After a three-day trial completed on October 3, 2013, the court ruled in a minute order that (1) the annual fair market rental values used to calculate damages for claimants who applied for Oahu residential leases be based on four percent of the fee simple value of a 5,000 square foot lot in Maili, obtained from a “best fit” curve derived from actual fee simple Maili valuations from 1959 through July 8, 2013, (2) for damage calculations the rents adjust annually, and (3) that there are no increases for the consumer price index or other present value adjustments. However, to date, no proceeding or procedure has been scheduled or devised to apply the damages model to determine whether and how much each claimant would be awarded in damages. The parties have participated in a private mediation on the matters in controversy in the case, pursuant to the circuit court’s order approving the parties’ Stipulation to Participate in Private Mediation, etc., filed on September 13, 2013.

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On January 14, 2015, Plaintiffs filed a motion for summary judgment to compute the damages of members of the Waiting List Damages Subclass (none of whom were named plaintiffs) who applied for a residential homestead on Oahu. The motion was heard on June 30, 2015. A written order disposing of the motion has not yet been entered.

Nelson – In the First Amended Complaint filed on October 19, 2007 in *Nelson et al., v. Hawaiian Homes Commission, et al.*, Civil No. 07-1-1663-08 BIA (1st Cir.) (*Nelson*), the plaintiffs allege all defendants breached their duties under Article XII, Sections 1 and 2 of the Hawaii Constitution by not providing sufficient funds to DHHL to place as many beneficiaries on residential, agricultural and pastoral homesteads within a reasonable period of time, and provide a fully functioning farm, ranch and aquaculture support program to maximize utilization of the homestead lands. They also allege that the Hawaiian Homes Commission and its members are in breach of the Hawaiian Home Lands trust for failing to obtain sufficient funds from the Legislature, and otherwise enforcing the provisions of Article XII, Sections 1 and 2 of the Hawaii Constitution, including filing suit against the State. Further, they allege that DHHL and the Hawaiian Homes Commission and its members have violated the Hawaiian Homes Commission Act (HHC Act) by leasing Hawaiian home lands solely to generate revenue and for commercial developments that are unrelated to actual homesteading programs, and without adhering to the requirements of Section 207(a) of the HHC Act.

As beneficiaries of the Hawaiian Home Lands trust and the HHC Act, the *Nelson* plaintiffs asked the court to issue a mandatory injunction requiring DHHL and the Hawaiian Homes Commission and its members to seek, and the State to provide, sufficient funds for DHHL to place as many beneficiaries on the land within a reasonable period of time. On January 21, 2009, the court granted the defendants' motion for entry of summary judgment rejecting all claims that are based on the theory that the Hawaii State Legislature, the State of Hawaii, or any State agency or employee, is required to appropriate, request or otherwise provide or secure particular amounts of money for DHHL and its programs now and in the future. The court concluded that the political question doctrine barred it from deciding those claims because initial policy determinations that the court lacked authority to make were needed to resolve the parties' dispute over the definition and determination of "sufficient sums" as that term is used in Article XII, Section 1 of the Hawaii Constitution.

A final judgment in favor of the State was filed on September 23, 2009, and the plaintiffs appealed. On January 12, 2011, the Intermediate Court of Appeals concluded that the political question doctrine did not preclude the courts from deciding the plaintiffs' claims, and vacated the judgment and remanded the case to the circuit court for further proceedings. The State and Director of Finance filed an application for writ of certiorari in the Hawaii Supreme Court to reverse the Intermediate Court of Appeals' judgment on appeal, and affirm the circuit court's final judgment, on May 4, 2011. In the Hawaii Supreme Court, the DHHL, and the Hawaiian Homes Commission and its members changed their position, and no longer supported the political question doctrine defense.

On May 9, 2012, the Hawaii Supreme Court concluded that there are no judicially manageable standards for determining "sufficient sums" for purposes of (1) developing lots, (2) loans, and (3) rehabilitation projects, which are the first three items listed in Article XII, Section 1. The Hawaii Supreme Court thus held plaintiffs' claims with respect to those items should have been rejected on political question grounds, and the Intermediate Court of Appeals erred in not so concluding. The Hawaii Supreme Court did, however, uphold the Intermediate Court of Appeals as to item (4) of Article XII, Section 1, concluding that there are judicially manageable standards to determine what constitutes sufficient sums for "administrative and operating expenses." Determination of this amount awaits further litigation in the circuit court on remand. Pursuant to the Judgment on Appeal issued on July 25, 2013, the case was remanded to the circuit court for further proceedings.

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On November 27, 2015, the circuit court issued its Findings of Fact, Conclusions of Law, and Order, which declared and ordered (1) the State has failed to provide sufficient funds to DHHL for its administrative and operating budget in violation of the State's constitutional duty, (2) the State must fulfill its constitutional duty by appropriating sufficient general funds to DHHL for its administrative and operating budget so that DHHL does not need to use or rely on revenue from general leases, and (3) although what is "sufficient" will change over the years, the sufficient sums that the legislature is constitutionally obligated to appropriate in general funds for DHHL's administrative and operating budget (not including significant repairs) is more than \$28 million for fiscal year 2015–2016. The circuit court also ruled that prior to 2012, DHHL breached its trust duties by failing to take all reasonable efforts, including filing suit, to obtain all the funding it needs for its administrative and operating budget, and shall prospectively fulfill its constitutional duties and trust responsibilities and are enjoined from violating these obligations.

On December 21, 2015, after judgment was entered, the State filed a motion for reconsideration or to alter or amend the judgment and order. A decision on that motion is pending. The State intends to defend vigorously the claims against the State in all of the remaining Individual Claims Cases and in *Nelson*. The State is currently unable to predict with reasonable certainty the magnitude of its potential liability, if any, for such claims. Resolution of the plaintiffs' claims in the Individual Claims Cases, and some of the plaintiffs' claims in *Nelson*, in the respective plaintiffs' favor, could have a material adverse effect on the State's financial condition.

Hawaii Employer-Union Health Benefits Trust Fund

In June 2006, certain retired public employees (Plaintiffs) filed a class action lawsuit in the First Circuit Court, State of Hawaii, against the State, all of the counties of the State, the Hawaii Employer-Union Health Benefits Trust Fund (EUTF), and the EUTF Board of Trustees (collectively, the Defendants). See *Marion Everson, et al. v. State of Hawaii, et al.*, Civil No. 06-1-1141-06, First Circuit Court, State of Hawaii (Civil No. 06-1-1141-06). In relevant part, Plaintiffs claimed that Defendants violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapters 87 and 87A by not providing health care benefits to retirees and their dependents that are equivalent to those provided to active employees and their dependents.

Following a related proceeding that commenced in 2007, the Hawaii Supreme Court held that health benefits for retired state and county employees constitute "accrued benefits" pursuant to Article XVI, Section 2 of the Hawaii Constitution, but that HRS Chapter 87A (particularly HRS Section 87A-23) did not require that retiree health benefits reasonably approximate those provided to active employees. See *Everson v. State*, 122 Hawai'i 401, P.3d 282 (2010). The Hawaii Supreme Court did not decide when retiree health benefits "accrued" so as to be protected under Article XVI, Section 2 of the Hawaii Constitution nor did it decide whether the enactment of any part of HRS Chapter 87A violated Article XVI, Section 2 of the Hawaii Constitution.

In December 2010, Plaintiffs filed a Second Amended Complaint in Civil No. 06-1-1140-06 (nka *James Dannenberg, et al. v. State of Hawaii, et al.*) claiming that Defendants have violated their constitutional, contractual and statutory rights under Article XVI, Section 2 of the Hawaii Constitution and HRS Chapter 87 by failing to provide them and other State and county retirees with: (a) health care benefits that are equivalent to those provided to State and county active employees; and/or (b) health care benefits that are equivalent to benefits provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age. The Second Amended Complaint also claims that State and county employees who retired prior to July 1, 2001, are contractually entitled to have their employers pay for all their health plan premiums despite the contribution caps in Sections 87A-33 through 87A-36, HRS. The Second Amended Complaint also claims that the EUTF was negligent in failing to properly interpret constitutional, statutory and contractual requirements when it created retiree health plans. Plaintiffs seek declaratory

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June 30, 2015

and injunctive relief and monetary damages. The monetary damages sought are: (1) the amount that retirees and their dependents have had to personally pay for health care because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; (2) damages for health care that retirees and their dependents have foregone because Defendants refused or failed to provide them with the health benefits that they were constitutionally or contractually entitled to; and (3) damages for pain and suffering. In January 2011, the Defendants filed an answer denying the substantive allegations of the Second Amended Complaint.

On August 29, 2013, the First Circuit Court entered an Order Granting Plaintiffs' Motion for Class Action Certification. The class certified is all employees (and their dependent-beneficiaries) who began working for the Territory of Hawaii, State of Hawaii, or any political subdivision thereof, before July 1, 2003, and who have accrued or will accrue a right to post-retirement health benefits as a retiree or dependent-beneficiary of such a retiree. This includes: (a) those who have not yet received any post-retirement health benefits from Defendants as a retiree or dependent-beneficiary of such a retiree; and (b) those who have received any post-retirement health benefits from Defendants since July 1, 2003 as a retiree or dependent-beneficiary of such a retiree. For purposes of damages only, if any, the class shall also include the estates and heirs of any deceased retiree or deceased dependent-beneficiary of a retiree who is or was a member of the class.

On December 10, 2012, Plaintiffs filed Plaintiffs' Motion for Partial Summary Judgment seeking judgment in their favor and against Defendants on the liability issues in the lawsuit, i.e., that Plaintiffs be granted their requested declaratory and injunctive relief, and that Defendants be found liable for monetary damages in an amount to be determined later. On July 25, 2013, State Defendants filed State Defendants' Motion for Partial Summary Judgment seeking judgment in their favor and against Plaintiffs on all of Plaintiffs' claims that are based on the allegations that: (1) State Defendants have violated the constitutional, contractual and statutory rights of Plaintiffs by not providing health care benefits for retirees and their dependents that are equivalent to those provided to active employees and their dependents; (2) State Defendants have violated the constitutional and contractual rights of Plaintiffs by not providing health care benefits to retirees and their dependents that are equivalent to those provided to other employee-beneficiaries and dependent-beneficiaries, regardless of age; and (3) State Defendants were negligent in providing health benefits to retirees and their dependents. Both motions were heard by the First Circuit Court on October 30, 2013, and taken under advisement. On October 16, 2014, the Court issued an Order Denying Plaintiffs' Motion for Partial Summary Judgment and Order Granting State Defendants' Motion for Partial Summary Judgment (Order). The Court ruled that Plaintiffs' accrued health benefits have not been reduced, diminished or impaired inasmuch as the health benefits that retirees received under the Hawaii Public Employees Health Fund. Plaintiffs filed a motion for reconsideration of the Order or alternatively for an interlocutory appeal. On November 13, 2014, the Court issued a minute order denying a motion. On State Defendants' motion, the case was transferred to the Hawaii Supreme Court. Briefing was completed in September 2015.

State Defendants intend to continue to rigorously defend against Plaintiffs' claims in this lawsuit. Resolution of the Plaintiffs' claims in their favor could have a material adverse effect on the State's financial condition.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Department of Education

Consolidated class action cases have been brought against the State Department of Education (DOE) on behalf of substitute teachers alleging that the DOE has failed to pay substitute teachers in accordance with the rate provided in the Hawaii Revised Statutes from July 1, 1996 to June 30, 2005.

An adverse ruling against the State was made by the First Circuit Court on a motion for summary judgment regarding liability issues. The adverse ruling was the subject of an interlocutory appeal to the Intermediate Court of Appeals, which issued its ruling on October 30, 2009, affirming the adverse ruling. The Supreme Court denied certiorari on August 16, 2010 and the case was remanded to the Circuit Court for a determination of damages.

The parties agreed to settle before the matter was set for trial on this issue. On February 26, 2014, a settlement check in the amount of approximately \$15,091,100 was transmitted to Plaintiffs' attorney. Subsequently, the Circuit Court granted Plaintiffs' motion for the award of prejudgment interest. The State appealed this decision to the Intermediate Court of Appeals on June 15, 2015.

Tax Foundation Claim on Rail Surcharge Tax

The Tax Foundation of Hawaii has sued the State alleging that the 10% deduction from the county surcharge revenues to reimburse the State for the cost of assessment and collection of the tax is unconstitutional. The lawsuit seeks a refund of amounts that exceed the actual cost of collection to either the plaintiff or the City and County of Honolulu.

The State is vigorously contesting this matter and has moved to dismiss the lawsuit on standing and other grounds.

Continuing Disclosure Certificates

The State entered into continuing disclosure certificates (certificates) for the benefit of general obligation bondholders, where it agreed to provide certain financial information and operating data relating to the State with respect to its general obligation bonds and certificates of participation to the Municipal Securities Rulemaking Board.

In two instances within the past five years, the State filed annual reports on a timely basis, but did not include audited financial statements or, as required by the applicable continuing disclosure certificates, when audited financial statements were not available, unaudited financial statements. In each case, a notice was filed that the audited financial statements were not available and audited financial statements were filed when they became available. In addition, the State has in certain years during the past five years failed to file certain notices or file them in a timely manner. The State has policies and procedures in place to enhance compliance with its continuing disclosure undertakings. The State regularly updates its financial information, which may involve updating financial and operating data.

A failure by the State to comply with the certificates will not constitute an event of default of the bonds, although any bondholder or beneficial owner may bring action to compel the State to comply with its obligations under the certificate. Such a failure may adversely affect the transferability and liquidity of the bonds and their market price.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

13. Risk Management

The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of loss subject to a \$1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is \$200,000,000, except for terrorism, which is \$50,000,000 per occurrence and a \$10,000 deductible.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of \$10,000,000 per occurrence with a \$500,000 deductible per occurrence, except for claims expense coverage, which has a \$100,000 limit per occurrence and a \$1,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services and losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)

Liability claims under \$10,000 and automobile claims under \$15,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a \$4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is \$15,000,000 and for crime loss, \$10,000,000 with no aggregate limit.

Losses under the deductible amount or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

Medical Insurance

The State's community hospitals included in the HHSC are insured by a comprehensive hospital professional liability policy. The policy covers losses from personal injury, professional liability, patient property damage, and employee benefits. This policy covers losses up to a limit of \$35,000,000 per occurrence and \$39,000,000 in aggregate.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses below \$15,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Reserve for Losses and Loss Adjustment Costs

A liability for workers' compensation and general liability claims is established if information indicates that a loss has been incurred as of June 30, 2015, and the amount of the loss can be reasonably estimated. The liability also includes an estimate for amounts incurred but not reported. The amount of the estimated loss is recorded in the accompanying statement of net position, as those losses will be liquidated with future expendable resources. The estimated losses will be paid from legislative appropriations of the State's General Fund. The following table represents changes in the amount of the estimated losses and the loss adjustment costs at June 30, 2015 and 2014 (amounts expressed in thousands):

	2015	2014
Unpaid losses and loss adjustment costs		
Beginning of the fiscal year	<u>\$ 147,120</u>	<u>\$ 155,138</u>
Incurred losses and loss adjustment costs		
Provision for insured events of current fiscal year	32,721	35,050
Change in provision for insured events of prior fiscal years	(629)	1,593
Total incurred losses and loss adjustment costs	<u>32,092</u>	<u>36,643</u>
Payments		
Losses and loss adjustment costs attributable to insured events of current fiscal year	(9,604)	(24,333)
Losses and loss adjustment costs attributable to insured events of prior fiscal year	(19,432)	(20,328)
Total payments	<u>(29,036)</u>	<u>(44,661)</u>
Unpaid losses and loss adjustment costs		
End of the fiscal year	<u>\$ 150,176</u>	<u>\$ 147,120</u>

14. Subsequent Events

General Obligation Bonds

On October 29, 2015, the State issued \$190,000,000 in General Obligation Bonds of 2015, Series ET, \$35,000,000 in General Obligation Bonds of 2015, Series EU, \$8,700,000 in General Obligation Refunding Bonds of 2015, Series EV, \$34,950,000 in General Obligation Refunding Bonds of 2015, Series EW, \$25,035,000 in General Obligation Refunding Bonds of 2015, Series EX, \$212,120,000 General Obligation Refunding Bonds of 2015, Series EY, \$215,590,000 General Obligation Refunding Bonds of 2015, Series EZ, and \$25,000,000 Taxable General Obligation Bonds of 2015, Series FA. Series ET and FA were issued for the purpose of financing or reimbursing the State for the costs of acquisition, construction, extension or improvement of various public improvement projects, among which are public buildings and facilities, elementary and secondary schools, community college and university facilities, public libraries and parks and for other public purposes. Series EU was issued for the purpose of financing the acquisition of land in fee simple and a conservation easement on certain land on the North Shore of the island of Oahu. The refunding bonds were issued for the purpose of refunding certain outstanding general obligation bonds of the State previously issued for such purposes.

State of Hawaii
Notes to Basic Financial Statements
June 30, 2015

Department of Transportation – Highways Division

On July 8, 2015, Highways executed an energy savings performance contract that provides for the installation of energy conservation measures (ECM) at selected Highway locations. The contractor executed a guarantee of the energy cost savings that should result from these ECMs. The project costs for this contract are funded by a tax-exempt lease bearing an annual interest rate of 2.63%. Payments for this lease are deferred for a two-year period matching the period to construct or to install the ECMs.

Department of Transportation – Harbors Division

On September 17, 2015, Harbors executed an energy savings performance contract that provides for the installation of ECM at selected Harbors locations. The contractor executed a guarantee of the energy cost savings that should result from these ECMs. The project costs for this contract are funded by a tax-exempt lease bearing an annual interest rate of 2.74%. Payments for this lease are deferred for a two-year period matching the period to construct or to install the ECMs.

Department of Transportation – Airports Division

On November 18, 2015, Airports issued State of Hawaii Airports System Revenue Bonds, consisting of \$235,135,000 Series 2015A (AMT) and \$9,125,000 Series 2015B (Non-AMT). The borrowing rates range from 4.0% to 5.0% annually. The bonds were issued for the purpose of funding the costs of capital improvement projects at certain facilities of the State's Airports System.

University of Hawaii

The University issued \$166,285,000 of Board of Regents of the University of Hawaii – University Revenue Bonds, consisting of \$8,575,000 Taxable Series 2015A, \$47,010,000 Series 2015B (Refunding), \$17,585,000 Taxable Series 2015C (Refunding), \$25,715,000 Taxable Series 2015D (Refunding), and \$67,400,000 Series 2015E (Forward Delivery Refunding). All Series 2015 bonds were issued on September 24, 2015, with the exception of the Series 2015E which will be issued on April 20, 2016. The bonds were issued for the purpose of financing the costs of University projects and refunding previously issued bonds. The University projects include the UH Mānoa Law School Expansion and Modernization Project and the UH Hilo College of Pharmacy Project. The coupon rates for the Series 2015 bonds range from 0.8% to 5.0%.

Hawaii Employer-Union Health Benefits Trust Fund

Effective July 1, 2015, the EUTF changed custodians from Bank of Hawaii with Bank of New York Mellon as subcustodian to Northern Trust.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

State of Hawaii
Required Supplementary Information
Other Than Management's Discussion and Analysis
(Unaudited)

General Fund – Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis)

Med-Quest Special Revenue Fund – Schedule of Revenues and Expenditures –
Budget and Actual (Budgetary Basis)

Notes to Required Supplementary Information – Budgetary Control

Reconciliation of the Budgetary to GAAP Basis –
General Fund and Med-Quest Special Revenue Fund

Schedule of the Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years

Schedule of Contributions – Last Ten Fiscal Years

Schedules of Funding Progress – EUTF, HSTA-VEBA and UH

State of Hawaii

General Fund

Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)

Year Ended June 30, 2015

(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues				
Taxes				
General excise tax	\$ 3,234,785	\$ 2,983,927	\$ 2,992,707	\$ 8,780
Net income tax				
Corporations	78,514	76,307	52,319	(23,988)
Individuals	2,021,939	1,887,339	1,987,733	100,394
Inheritance and estate tax	15,427	15,008	12,071	(2,937)
Liquor permits and tax	50,075	48,600	50,281	1,681
Public service companies tax	174,932	170,690	163,481	(7,209)
Tobacco tax	83,897	77,390	82,829	5,439
Tax on premiums of insurance companies	134,000	142,000	145,672	3,672
Franchise tax (banks and other financial institutions)	23,456	41,553	17,930	(23,623)
Transient accommodations tax	197,230	193,314	202,970	9,656
Other taxes, primarily conveyances tax	38,675	28,208	26,469	(1,739)
Total taxes	<u>6,052,930</u>	<u>5,664,336</u>	<u>5,734,462</u>	<u>70,126</u>
Non-taxes				
Interest and investment income	4,935	5,066	7,531	2,465
Charges for current services	249,223	253,191	284,520	31,329
Intergovernmental	12,860	12,177	14,192	2,015
Rentals	714	243	175	(68)
Fines, forfeitures and penalties	22,935	23,159	22,874	(285)
Licenses and fees	1,012	1,020	1,091	71
Revenues from private sources	2,501	2,504	3,388	884
Debt service requirements	34,517	34,517	24,591	(9,926)
Other	<u>226,388</u>	<u>353,109</u>	<u>422,821</u>	<u>69,712</u>
Total non-taxes	<u>555,085</u>	<u>684,986</u>	<u>781,183</u>	<u>96,197</u>
Total revenues	<u>6,608,015</u>	<u>6,349,322</u>	<u>6,515,645</u>	<u>166,323</u>
Expenditures				
General government	2,612,176	2,525,475	2,362,663	162,812
Public safety	252,287	267,628	264,681	2,947
Conservation of natural resources	37,413	41,715	31,643	10,072
Health	408,115	421,456	411,337	10,119
Hospitals	101,940	116,940	116,940	-
Welfare	1,174,695	1,183,547	1,163,815	19,732
Lower education	1,480,083	1,552,689	1,503,470	49,219
Higher education	409,656	418,558	413,149	5,409
Other education	5,984	6,027	5,616	411
Culture and recreation	41,889	44,097	42,478	1,619
Economic development and assistance	25,002	27,145	24,184	2,961
Housing	23,146	23,175	22,582	593
Other	<u>9,633</u>	<u>16,886</u>	<u>15,877</u>	<u>1,009</u>
Total expenditures	<u>6,582,019</u>	<u>6,645,338</u>	<u>6,378,435</u>	<u>266,903</u>
Excess (deficiency) of revenues over (under) expenditures	25,996	(296,016)	137,210	433,226
Other financing sources – Transfers in	<u>37,274</u>	<u>59,150</u>	<u>61,060</u>	<u>1,910</u>
Excess (deficiency) of revenues and other sources over (under) expenditures	\$ 63,270	\$ (236,866)	\$ 198,270	\$ 435,136

State of Hawaii

Med-Quest Special Revenue Fund

Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis)

Year Ended June 30, 2015

(Amounts in thousands)

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance With Final Budget – Positive (Negative)
Revenues – non-taxes				
Intergovernmental	\$ 43,704	\$ -	\$ 738	\$ 738
Revenues from private sources	-	-	57,664	57,664
Other	39,985	4,583	8,360	3,777
Total revenues – non-taxes	<u>83,689</u>	<u>4,583</u>	<u>66,762</u>	<u>62,179</u>
Expenditures				
Welfare	80,932	80,932	66,100	14,832
Total expenditures	<u>80,932</u>	<u>80,932</u>	<u>66,100</u>	<u>14,832</u>
(Deficiency) excess of revenues (under) over expenditures	\$ 2,757	\$ (76,349)	\$ 662	\$ 77,011

State of Hawaii

Notes to Required Supplementary Information – Budgetary Control

Year Ended June 30, 2015

The budget of the State is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services, and activities to be provided during the fiscal year; (2) the estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated periodically during the fiscal year. Amounts reflected as budgeted revenues in the General Fund Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) are those estimates as compiled by the Council on Revenues and the Director of Finance. Budgeted expenditures are derived primarily from the General Appropriations Act of 2013 (Act 134, SLH 2013), and as amended by the Supplemental Appropriations Act of 2014 (Act 122, SLH 2014), and from other authorizations contained in the State Constitution, the HRS, and other specific appropriations acts in various SLH.

All expenditures of appropriated funds have been made pursuant to the appropriations in the fiscal 2013–2015 biennial budget and executive supplemental budget.

The General Fund and Special Revenue Funds have legally appropriated annual budgets. The Capital Projects Fund's appropriated budgets are for projects that may extend over several fiscal years.

The final legally adopted budgets in the accompanying General Fund and Special Revenue Fund Schedules of Revenues and Expenditures – Budget and Actual (Budgetary Basis) represent the original appropriations, transfers and other legally authorized legislative and executive changes.

The legal level of budgetary control is maintained at the appropriation line item level by department, program, and source of funds as established in the appropriations acts. The Governor is authorized to transfer appropriations between programs within the same department and source of funds; however, transfers of appropriations between departments generally require legislative authorization. Records and reports reflecting the detailed level of control are maintained by and are available at the Department of Accounting and General Services. During the fiscal year ended June 30, 2015, there were no expenditures in excess of appropriations in the individual funds.

To the extent not expended or encumbered, General Fund and Special Revenue Fund appropriations subject to budgetary control generally lapse at the end of the fiscal year for which the appropriations are made. The State Legislature specifies the lapse dates and any other contingencies, which may terminate the authorizations for other appropriations.

Budgets adopted by the State Legislature for the General Fund and Special Revenue Fund are presented in the General Fund and Special Revenue Fund schedules of revenues and expenditures – budget and actual (budgetary basis). The State's annual budget is prepared on the cash basis of accounting except for the encumbrance of purchase order and contract obligations (basis difference), which is a departure from GAAP.

State of Hawaii**General Fund and Med-Quest Special Revenue Fund****Reconciliation of the Budgetary to GAAP Basis****Year Ended June 30, 2015****(Amounts in thousands)**

A reconciliation of the budgetary to GAAP basis operating results for the fiscal year ended June 30, 2015 follows (amounts expressed in thousands):

	General Fund	Med-Quest Special Revenue Fund
Excess of revenues and other sources over expenditures – actual (budgetary basis)	\$ 137,210	\$ 662
Transfers	<u>541,182</u>	<u>70,932</u>
Excess of revenues over expenditures – actual (budgetary basis)	678,392	71,594
Reserve for encumbrances at fiscal year end*	313,270	-
Expenditures for liquidation of prior fiscal year encumbrances	(330,704)	(91,432)
Revenues and expenditures for unbudgeted programs and capital projects accounts, net	(2,743)	138,790
Tax refunds payable	(2,753)	-
Accrued liabilities	30,277	(119,778)
Accrued revenues	<u>48,015</u>	<u>63,113</u>
Excess of revenues over expenditures - GAAP basis	<u>\$ 733,754</u>	<u>\$ 62,287</u>

*Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

State of Hawaii**Schedule of the Proportionate Share of the Net Pension Liability****Last Ten Fiscal Years*****(Amounts in millions)**

	2015	2014
State's proportion of the net pension liability	58.483%	57.638%
State's proportionate share of the net pension liability	\$ 4,689	\$ 5,148
State's covered-employee payroll	\$ 2,424	\$ 2,341
State's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.4%	219.9%
Plan fiduciary net position as a percentage of total net pension liability	63.9%	58.0%

* Information for 2006–2013 is unavailable.

State of Hawaii
Schedule of Contributions
Last Ten Fiscal Years*
(Amounts in millions)

	2015	2014
Statutorily required contribution	\$ 401	\$ 430
Contributions in relation to the contractually required contribution	<u>410</u>	<u>383</u>
Contribution deficiency (excess)	<u>\$ (9)</u>	<u>\$ 47</u>
State's covered-employee payroll	\$ 2,424	\$ 2,341
Contributions as a percentage of covered-employee payroll	16.9%	16.4%

* Information for 2006–2013 is unavailable.

State of Hawaii
Schedules of Funding Progress
June 30, 2015
(Amounts in Millions)

Postemployment Benefits Other Than Pensions

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)			Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
			Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll			
EUTF								
July 1, 2009	\$ -	\$ 11,523	\$ 11,523	– %	\$ 1,432			804.7%
July 1, 2011	-	11,706	11,706	– %	2,093			559.3%
July 1, 2013	-	7,344	7,344	– %	2,341			313.7%
HSTA-VEBA								
July 1, 2009	\$ -	\$ 2,484	\$ 2,484	– %	\$ 683			363.7%
UH								
July 1, 2009	\$ -	\$ 1,850	\$ 1,850	– %	\$ 495			373.7%
July 1, 2011	-	1,861	1,861	– %	504			369.3%
July 1, 2013	-	1,186	1,186	– %	551			215.3%

SUPPLEMENTARY INFORMATION

State of Hawaii
Nonmajor Governmental Funds
June 30, 2015

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes. Certain Special Revenue Funds are presented separately in the accompanying combining financial statements, with the remainder grouped as a single entity. The Special Revenue Funds are as follows:

Highways – Accounts for programs related to maintaining and operating land transportation facilities.

Natural Resources – Accounts for programs related to the conservation, development and utilization of agriculture, aquaculture, water, land and other natural resources of the State.

Health – Accounts for programs related to mental health, nutrition services, communicable disease and for other public health services.

Human Services — Accounts for social service programs, which include public welfare, eligibility and disability determination, and housing assistance.

Education – Accounts for programs related to instructional education, school food services and student driver education.

Economic Development – Accounts for programs related to the development and promotion of industry and international commerce, energy development and management, economic research and analysis, and the utilization of resources.

Employment – Accounts for programs related to employment and training, disability compensation, placement services, and occupational safety and health.

Regulatory – Accounts for programs related to consumer protection, business registration and cable television regulation.

Hawaiian Programs — Accounts for programs related to the betterment of the conditions of native Hawaiians.

Administrative Support – Accounts for programs of certain administrative agencies.

All Other – Accounts for programs related to water recreation, inmate stores, and driver training and education.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds serviced by the General Fund and general obligation bonds and revenue bonds serviced by the Special Revenue Funds.

State of Hawaii
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Assets						
Cash and cash equivalents	\$ 41,706	\$ 22,937	\$ 32,252	\$ 14,620	\$ 56,281	\$ 149,436
Notes and loans receivable, net	-	20,204	-	-	-	-
Due from other funds	-	-	-	-	-	-
Investments	189,995	104,490	146,926	66,606	114,459	28,154
Total assets	\$ 231,701	\$ 147,631	\$ 179,178	\$ 81,226	\$ 170,740	\$ 177,590
Liabilities and Fund Balances						
Liabilities						
Vouchers and contracts payable	\$ 25,002	\$ 3,935	\$ 18,931	\$ 6,196	\$ 12,244	\$ 1,180
Other accrued liabilities	5,449	2,647	5,852	353	11,453	918
Due to federal government	-	-	-	30,987	-	-
Due to other funds	-	2,152	-	41,000	-	-
Payable from restricted assets –	-	-	-	-	-	-
Matured bonds and interest payable	-	-	-	-	-	-
Total liabilities	30,451	8,734	24,783	78,536	23,697	2,098
Fund balances						
Restricted	-	-	-	25,335	-	-
Committed	-	97,270	168,340	1,748	-	10,172
Assigned	201,250	41,627	-	-	147,043	165,320
Unassigned	-	-	(13,945)	(24,393)	-	-
Total fund balances	201,250	138,897	154,395	2,690	147,043	175,492
Total liabilities and fund balances	\$ 231,701	\$ 147,631	\$ 179,178	\$ 81,226	\$ 170,740	\$ 177,590

The accompanying notes are an integral part of the basic financial statements.

Employment	Regulatory	Hawaiian Programs	Administrative Support	All Other	Total	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 6,268	\$ 10,992	\$ 52,202	\$ 46,773	\$ 8,504	\$ 441,971	\$ 415	\$ 442,386
-	-	51,237	-	-	71,441	-	71,441
28,552	50,075	221,711	136,593	38,746	1,126,307	35	35
\$ 34,820	\$ 61,067	\$ 325,150	\$ 183,366	\$ 47,250	\$ 1,639,719	\$ 450	\$ 1,640,169
\$ 2,610	\$ 238	\$ 5,037	\$ 2,306	\$ 3,854	\$ 81,533	\$ -	\$ 81,533
1,584	2,152	492	2,665	2,916	36,481	-	36,481
-	-	-	-	-	30,987	-	30,987
-	-	-	-	2,537	45,689	-	45,689
-	-	-	-	-	-	415	415
4,194	2,390	5,529	4,971	9,307	194,690	415	195,105
-	-	-	-	-	25,335	35	25,370
17,591	39,441	72,456	42,272	-	449,290	-	449,290
13,035	19,236	247,165	136,123	37,943	1,008,742	-	1,008,742
-	-	-	-	-	(38,338)	-	(38,338)
30,626	58,677	319,621	178,395	37,943	1,445,029	35	1,445,064
\$ 34,820	\$ 61,067	\$ 325,150	\$ 183,366	\$ 47,250	\$ 1,639,719	\$ 450	\$ 1,640,169

State of Hawaii
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2015
(Amounts in thousands)

	Special Revenue Funds					
	Highways	Natural Resources	Health	Human Services	Education	Economic Development
Revenues						
Taxes						
Franchise tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tobacco and liquor taxes	-	-	29,989	-	-	-
Liquid fuel tax	86,583	239	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Vehicle weight and registration tax	120,579	-	4,534	-	-	-
Rental motor/tour vehicle surcharge tax	51,940	-	-	-	-	-
Other	-	31,621	1,236	-	-	3,708
Total taxes	259,102	31,860	35,759	-	-	3,708
Interest and investment income	1,194	941	405	7	97	152
Charges for current services	5,036	26,547	43,242	346	39,540	5,515
Intergovernmental	190,480	23,554	109,832	730,134	245,075	18,153
Rentals	-	8,475	-	-	397	1,346
Fines, forfeitures and penalties	4,778	118	1,843	-	-	-
Licenses and fees	1,913	601	1,846	111	527	-
Revenues from private sources	-	397	46,913	34	7,933	-
Other	36,840	5,192	1,812	532	15,461	300
Total revenues	499,343	97,685	241,652	731,164	309,030	29,174
Expenditures						
Current						
General government	-	4,598	222	-	-	-
Public safety	-	1,877	-	-	-	-
Highways	235,610	85	-	-	-	-
Conservation of natural resources	-	66,114	-	-	-	-
Health	-	-	205,708	-	-	-
Welfare	-	-	-	692,257	-	-
Lower education	-	-	-	-	383,512	-
Other education	-	-	-	14,762	-	-
Culture and recreation	-	8,824	-	-	4,226	-
Urban redevelopment and housing	-	-	-	2,083	-	-
Economic development and assistance	-	6,589	-	-	-	34,597
Other	225	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	235,835	88,087	205,930	709,102	387,738	34,597
Excess (deficiency) of revenues over (under) expenditures	263,508	9,598	35,722	22,062	(78,708)	(5,423)
Other financing sources (uses)						
Issuance of GO and refunding GO bonds – par	-	-	-	-	-	-
Issuance of GO and refunding GO bonds – premium	-	-	-	-	-	-
Issuance of revenue and refunding revenue bonds – par	-	-	-	-	-	150,000
Issuance of revenue and refunding revenue bonds – premium	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	151	1,655	1,234	574	71,303	20
Transfers out	(226,342)	(961)	(24,050)	(22,807)	-	-
Total other financing sources (uses)	(226,191)	694	(22,816)	(22,233)	71,303	150,020
Net change in fund balances	37,317	10,292	12,906	(171)	(7,405)	144,597
Fund balances						
Beginning of year	163,933	128,605	141,489	2,861	154,448	30,895
End of year	\$ 201,250	\$ 138,897	\$ 154,395	\$ 2,690	\$ 147,043	\$ 175,492

The accompanying notes are an integral part of the basic financial statements.

<u>Employment</u>	<u>Regulatory</u>	<u>Hawaiian Programs</u>	<u>Administrative Support</u>	<u>All Other</u>	<u>Total</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ 2,000
-	-	-	2,038	-	32,027	-	32,027
-	-	-	-	1,627	88,449	-	88,449
-	2,095	-	-	-	2,095	-	2,095
-	-	-	-	-	125,113	-	125,113
-	-	-	-	-	51,940	-	51,940
1,118	-	-	-	-	37,683	-	37,683
<u>1,118</u>	<u>4,095</u>	<u>-</u>	<u>2,038</u>	<u>1,627</u>	<u>339,307</u>	<u>-</u>	<u>339,307</u>
117	237	4,740	509	94	8,493	-	8,493
18,655	21,212	3,196	59,917	26,006	249,212	-	249,212
41,827	1,308	14,132	20,881	55,538	1,450,914	-	1,450,914
-	-	15,996	981	3,756	30,951	-	30,951
1,507	3,457	-	245	2,379	14,327	-	14,327
-	15,215	-	20,727	432	41,372	-	41,372
-	-	3,000	1,680	356	60,313	-	60,313
1,883	317	11,330	11,643	5,282	90,592	-	90,592
<u>65,107</u>	<u>45,841</u>	<u>52,394</u>	<u>118,621</u>	<u>95,470</u>	<u>2,285,481</u>	<u>-</u>	<u>2,285,481</u>
-	-	-	37,744	17,242	59,806	-	59,806
3,815	41,861	-	14,591	62,424	124,568	-	124,568
-	-	362	72	-	236,129	-	236,129
-	-	-	337	-	66,451	-	66,451
-	-	-	-	-	205,708	-	205,708
-	-	-	14,769	1,571	708,597	-	708,597
-	-	-	6,770	-	390,282	-	390,282
-	-	-	-	-	14,762	-	14,762
-	-	-	11,227	15,943	40,220	-	40,220
-	-	57,179	-	-	59,262	-	59,262
59,026	-	-	42	705	100,959	-	100,959
-	-	-	7,519	188	7,932	-	7,932
-	-	-	-	-	<u>734,315</u>	<u>-</u>	<u>734,315</u>
<u>62,841</u>	<u>41,861</u>	<u>57,541</u>	<u>93,071</u>	<u>98,073</u>	<u>2,014,676</u>	<u>734,315</u>	<u>2,748,991</u>
<u>2,266</u>	<u>3,980</u>	<u>(5,147)</u>	<u>25,550</u>	<u>(2,603)</u>	<u>270,805</u>	<u>(734,315)</u>	<u>(463,510)</u>
-	-	-	-	-	-	408,775	408,775
-	-	-	-	-	-	41,893	41,893
-	-	-	-	-	150,000	60,305	210,305
-	-	-	-	-	-	5,865	5,865
-	-	-	-	-	-	(516,839)	(516,839)
-	3,918	29,383	7,648	7,192	123,078	734,316	857,394
(196)	(2,900)	(3,054)	(26,363)	(3,133)	(309,806)	-	(309,806)
<u>(196)</u>	<u>1,018</u>	<u>26,329</u>	<u>(18,715)</u>	<u>4,059</u>	<u>(36,728)</u>	<u>734,315</u>	<u>697,587</u>
<u>2,070</u>	<u>4,998</u>	<u>21,182</u>	<u>6,835</u>	<u>1,456</u>	<u>234,077</u>	<u>-</u>	<u>234,077</u>
<u>28,556</u>	<u>53,679</u>	<u>298,439</u>	<u>171,560</u>	<u>36,487</u>	<u>1,210,952</u>	<u>35</u>	<u>1,210,987</u>
<u>\$ 30,626</u>	<u>\$ 58,677</u>	<u>\$ 319,621</u>	<u>\$ 178,395</u>	<u>\$ 37,943</u>	<u>\$ 1,445,029</u>	<u>\$ 35</u>	<u>\$ 1,445,064</u>

State of Hawaii

Nonmajor Special Revenue Funds

Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)

Year Ended June 30, 2015

(Amounts in thousands)

	Highways			Natural Resources		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax						
Highways	\$ 84,706	\$ 86,583	\$ 1,877	\$ 250	\$ 239	\$ (11)
Vehicle registration fee tax	43,141	44,487	1,346	-	-	-
State vehicle weight tax	75,762	76,092	330	-	-	-
Rental/tour vehicle surcharge tax	49,031	51,940	2,909	-	-	-
Employment and training fund assessment	-	-	-	-	-	-
Tobacco tax	-	-	-	-	-	-
Conveyances tax	-	-	-	17,600	27,913	10,313
Environmental response tax	-	-	-	3,900	3,708	(192)
Transient accommodations tax	-	-	-	2,100	-	(2,100)
Franchise tax	-	-	-	-	-	-
Tax on premiums of insurance companies	-	-	-	-	-	-
Total taxes	<u>252,640</u>	<u>259,102</u>	<u>6,462</u>	<u>23,850</u>	<u>31,860</u>	<u>8,010</u>
Non-taxes						
Interest and investment income	502	1,193	691	1,068	929	(139)
Charges for current services	35,979	5,036	(30,943)	28,727	26,081	(2,646)
Intergovernmental	50,000	36,999	(13,001)	1	72	71
Rentals	1,000	-	(1,000)	7,808	8,475	667
Fines, forfeitures and penalties	1,987	4,778	2,791	68	118	50
Licenses and fees	2,053	1,913	(140)	754	601	(153)
Revenues from private sources	-	-	-	-	1	1
Other	59	28,137	28,078	2,769	5,049	2,280
Total non-taxes	<u>91,580</u>	<u>78,056</u>	<u>(13,524)</u>	<u>41,195</u>	<u>41,326</u>	<u>131</u>
Total revenues	<u>344,220</u>	<u>337,158</u>	<u>(7,062)</u>	<u>65,045</u>	<u>73,186</u>	<u>8,141</u>
Expenditures						
General government	-	-	-	5,188	5,069	119
Public safety	-	-	-	1,159	695	464
Highways	301,642	273,766	27,876	-	-	-
Conservation of natural resources	-	-	-	77,725	62,110	15,615
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	-	-	-	-	-	-
Culture and recreation	-	-	-	8,337	5,745	2,592
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	-	-	-
Other	1,830	225	1,605	-	-	-
Total expenditures	<u>303,472</u>	<u>273,991</u>	<u>29,481</u>	<u>92,409</u>	<u>73,619</u>	<u>18,790</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 40,748	\$ 63,167	\$ 22,419	\$ (27,364)	\$ (433)	\$ 26,931

The accompanying notes are an integral part of the basic financial statements.

Health			Human Services		
Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,345	4,534	(811)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
31,510	29,989	(1,521)	-	-	-
-	-	-	-	-	-
1,290	1,236	(54)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
38,145	35,759	(2,386)	-	-	-
54	405	351	-	6	6
81,663	86,608	4,945	-	346	346
1,074	1,717	643	240	736	496
-	-	-	-	-	-
1,607	1,838	231	-	-	-
1,371	1,846	475	406	111	(295)
49,950	46,913	(3,037)	-	34	34
315	811	496	-	-	-
136,034	140,138	4,104	646	1,233	587
174,179	175,897	1,718	646	1,233	587
268	228	40	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
221,477	174,482	46,995	-	-	-
-	-	-	2,874	1,124	1,750
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
221,745	174,710	47,035	2,874	1,124	1,750
\$ (47,566)	\$ 1,187	\$ 48,753	\$ (2,228)	\$ 109	\$ 2,337

(continued)

State of Hawaii

Nonmajor Special Revenue Funds

Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)

Year Ended June 30, 2015

(Amounts in thousands)

	Education			Economic Development		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax						
Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax						
State vehicle weight tax						
Rental/tour vehicle surcharge tax						
Employment and training fund assessment						
Tobacco tax						
Conveyances tax						
Environmental response tax				3,900	3,708	(192)
Transient accommodations tax						
Franchise tax						
Tax on premiums of insurance companies						
Total taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,900</u>	<u>3,708</u>	<u>(192)</u>
Non-taxes						
Interest and investment income	48	82	34	39	99	60
Charges for current services	37,977	33,955	(4,022)	7,087	5,515	(1,572)
Intergovernmental	31,833	11,960	(19,873)	4,527	1,326	(3,201)
Rentals	40	397	357	1,518	1,283	(235)
Fines, forfeitures and penalties	-	-	-	-	-	-
Licenses and fees	694	527	(167)	-	-	-
Revenues from private sources	187	276	89	250	-	(250)
Other	2,023	10,401	8,378	7	289,753	289,746
Total non-taxes	<u>72,802</u>	<u>57,598</u>	<u>(15,204)</u>	<u>13,428</u>	<u>297,976</u>	<u>284,548</u>
Total revenues	<u>72,802</u>	<u>57,598</u>	<u>(15,204)</u>	<u>17,328</u>	<u>301,684</u>	<u>284,356</u>
Expenditures						
General government						
Public safety	-	-	-	1,100	-	1,100
Highways	-	-	-	-	-	-
Conservation of natural resources	-	-	-	-	-	-
Health	-	-	-	-	-	-
Welfare	-	-	-	-	-	-
Lower education	104,302	54,676	49,626	-	-	-
Culture and recreation	3,125	3,078	47	-	-	-
Urban redevelopment and housing	-	-	-	-	-	-
Economic development and assistance	-	-	-	201,918	160,341	41,577
Other	-	-	-	-	-	-
Total expenditures	<u>107,427</u>	<u>57,754</u>	<u>49,673</u>	<u>203,018</u>	<u>160,341</u>	<u>42,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (34,625)</u>	<u>\$ (156)</u>	<u>\$ 34,469</u>	<u>\$ (185,690)</u>	<u>\$ 141,343</u>	<u>\$ 327,033</u>

The accompanying notes are an integral part of the basic financial statements.

Employment			Regulatory		
Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,200	1,118	(82)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	2,000	2,000	-
-	-	-	1,900	2,094	194
<u>1,200</u>	<u>1,118</u>	<u>(82)</u>	<u>3,900</u>	<u>4,094</u>	<u>194</u>
50	103	53	158	237	79
19,375	16,653	(2,722)	21,272	21,212	(60)
-	893	893	-	777	777
-	-	-	-	-	-
200	1,505	1,305	785	3,457	2,672
-	-	-	14,505	15,215	710
-	-	-	-	-	-
-	1,599	1,599	3,781	4,236	455
<u>19,625</u>	<u>20,753</u>	<u>1,128</u>	<u>40,501</u>	<u>45,134</u>	<u>4,633</u>
<u>20,825</u>	<u>21,871</u>	<u>1,046</u>	<u>44,401</u>	<u>49,228</u>	<u>4,827</u>
-	-	-	-	-	-
2,925	1,820	1,105	52,231	42,476	9,755
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
35,935	20,167	15,768	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>38,860</u>	<u>21,987</u>	<u>16,873</u>	<u>52,231</u>	<u>42,476</u>	<u>9,755</u>
<u>\$ (18,035)</u>	<u>\$ (116)</u>	<u>\$ 17,919</u>	<u>\$ (7,830)</u>	<u>\$ 6,752</u>	<u>\$ 14,582</u>

(continued)

State of Hawaii

Nonmajor Special Revenue Funds

Combining Statement of Revenues and Expenditures – Budget and Actual (Budgetary Basis)

Year Ended June 30, 2015

(Amounts in thousands)

	Hawaiian Programs			Administrative Support		
	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budget	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)
Revenue						
Taxes						
Liquid fuel tax						
Highways	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Vehicle registration fee tax						
State vehicle weight tax						
Rental/tour vehicle surcharge tax						
Employment and training fund assessment						
Tobacco tax				2,052	2,038	(14)
Conveyances tax						
Environmental response tax						
Transient accommodations tax						
Franchise tax						
Tax on premiums of insurance companies						
Total taxes	<u> </u>	<u> </u>	<u> </u>	<u>2,052</u>	<u>2,038</u>	<u>(14)</u>
Non-taxes						
Interest and investment income	125	166	41	227	498	271
Charges for current services	1	12	11	74,143	62,126	(12,017)
Intergovernmental				59	(13)	(72)
Rentals	10,014	15,016	5,002	6,235	6,481	246
Fines, forfeitures and penalties				280	245	(35)
Licenses and fees				20,306	20,727	421
Revenues from private sources		3,000	3,000	1,651	1,680	29
Other	4,200	7,533	3,333	13,536	12,466	(1,070)
Total non-taxes	<u>14,340</u>	<u>25,727</u>	<u>11,387</u>	<u>116,437</u>	<u>104,210</u>	<u>(12,227)</u>
Total revenues	<u>14,340</u>	<u>25,727</u>	<u>11,387</u>	<u>118,489</u>	<u>106,248</u>	<u>(12,241)</u>
Expenditures						
General government				117,088	52,759	64,329
Public safety				11,327	10,999	328
Highways						
Conservation of natural resources				285		285
Health						
Welfare				588	366	222
Lower education				7,000	6,743	257
Culture and recreation				13,675	11,431	2,244
Urban redevelopment and housing	22,531	11,843	10,688	-	-	-
Economic development and assistance						
Other				18,338	6,262	12,076
Total expenditures	<u>22,531</u>	<u>11,843</u>	<u>10,688</u>	<u>168,301</u>	<u>88,560</u>	<u>79,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (8,191)</u>	<u>\$ 13,884</u>	<u>\$ 22,075</u>	<u>\$ (49,812)</u>	<u>\$ 17,688</u>	<u>\$ 67,500</u>

The accompanying notes are an integral part of the basic financial statements.

Budget	All Other		Total Special Revenue Funds		
	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Actual (Budgetary Basis)	Variance With Final Budget Positive (Negative)	
\$ -	\$ -	\$ -	\$ 84,956	\$ 86,822	\$ 1,866
-	-	-	48,486	49,021	535
-	-	-	75,762	76,092	330
-	-	-	49,031	51,940	2,909
-	-	-	1,200	1,118	(82)
-	-	-	33,562	32,027	(1,535)
-	-	-	17,600	27,913	10,313
-	-	-	9,090	8,652	(438)
-	-	-	2,100	-	(2,100)
-	-	-	2,000	2,000	-
-	-	-	1,900	2,094	194
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	325,687	337,679	11,992
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47	55	8	2,318	3,773	1,455
9,353	15,842	6,489	315,577	273,386	(42,191)
1,123	1,729	606	88,857	56,196	(32,661)
-	-	-	26,615	31,652	5,037
3,118	2,343	(775)	8,045	14,284	6,239
566	432	(134)	40,655	41,372	717
35	34	(1)	52,073	51,938	(135)
7,828	9,192	1,364	34,518	369,177	334,659
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22,070	29,627	7,557	568,658	841,778	273,120
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22,070	29,627	7,557	894,345	1,179,457	285,112
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19,950	16,718	3,232	142,494	74,774	67,720
19,704	12,531	7,173	88,446	68,521	19,925
-	-	-	301,642	273,766	27,876
-	-	-	78,010	62,110	15,900
-	-	-	221,477	174,482	46,995
1,550	1,546	4	5,012	3,036	1,976
-	-	-	111,302	61,419	49,883
17,475	14,691	2,784	42,612	34,945	7,667
-	-	-	22,531	11,843	10,688
-	-	-	237,853	180,508	57,345
-	-	-	20,168	6,487	13,681
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
58,679	45,486	13,193	1,271,547	951,891	319,656
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (36,609)	\$ (15,859)	\$ 20,750	\$ (377,202)	\$ 227,566	\$ 604,768

(concluded)

State of Hawaii
Nonmajor Special Revenue Funds
Reconciliation of the Budgetary to GAAP Basis
Year Ended June 30, 2015
(Amounts in thousands)

Excess of revenues over expenditures – actual (budgetary basis)	\$ 227,566
Reserve for encumbrance at year end*	198,499
Expenditures for liquidation of prior fiscal year encumbrances	(492,487)
Expenditures for unbudgeted programs, principally expenditures for capital projects accounts and revolving funds	135,283
Transfers	230,313
Accrued liabilities	(496,138)
Accrued revenues	<u>467,769</u>
Excess of revenues over expenditures – GAAP basis	<u>\$ 270,805</u>

*Amount reflects the encumbrance balances (included in continuing appropriations) for budgeted programs only.

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Fund Net Position
June 30, 2015
(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Assets				
Current assets				
Cash and cash equivalents	\$ 5,992	\$ 143,385	\$ 46,982	\$ 196,359
Investments	12,643	-	-	12,643
Receivables				
Accounts and accrued interest	-	585	169	754
Promissory note receivable	-	27,318	7,742	35,060
Federal government	-	16	286	302
Premiums	85,368	-	-	85,368
Other	8,728	290	714	9,732
Prepaid expenses and other assets	5,392	-	-	5,392
Total current assets	118,123	171,594	55,893	345,610
Capital assets – equipment	10,013	85	2,409	12,507
Less: Accumulated depreciation	(7,885)	(73)	(1,500)	(9,458)
Net capital assets	2,128	12	909	3,049
Promissory note receivable	-	307,240	108,283	415,523
Other	-	7,438	-	7,438
Total noncurrent assets	2,128	314,690	109,192	426,010
Total assets	120,251	486,284	165,085	771,620
Deferred outflows of resources				
Deferred outflows on net pension liability	541	262	274	1,077
Total deferred outflows of resources	\$ 541	\$ 262	\$ 274	\$ 1,077
Liabilities				
Current liabilities				
Vouchers and contracts payable	\$ 547	\$ 171	\$ 382	\$ 1,100
Other accrued liabilities	2,797	-	-	2,797
Benefits claims payable	4,458	-	-	4,458
Accrued vacation, current portion	89	90	43	222
Premiums payable	43,958	-	-	43,958
Total current liabilities	51,849	261	425	52,535
Noncurrent liabilities				
Accrued vacation	209	205	159	573
Net pension liability	3,279	2,393	1,343	7,015
Other postemployment benefit liability	2,509	1,407	745	4,661
Total liabilities	57,846	4,266	2,672	64,784
Deferred inflows of resources				
Deferred inflows on net pension liability	383	55	657	1,095
Total deferred inflows of resources	\$ 383	\$ 55	\$ 657	\$ 1,095
Net position				
Net investment in capital assets	2,127	11	908	3,046
Restricted for bond requirements and other	-	482,214	161,122	643,336
Unrestricted	60,436	-	-	60,436
Total net position	\$ 62,563	\$ 482,225	\$ 162,030	\$ 706,818

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii

Nonmajor Proprietary Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Position

Year Ended June 30, 2015

(Amounts in thousands)

	Employer- Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Operating revenues				
Administrative fees	\$ -	\$ 1,142	\$ 2,292	\$ 3,434
Premium revenue – self insurance	73,141	-	-	73,141
Increase in premium reserves	36,527	-	-	36,527
Other	170	2,040	331	2,541
Total operating revenues	<u>109,838</u>	<u>3,182</u>	<u>2,623</u>	<u>115,643</u>
Operating expenses				
Personnel services	3,799	1,846	1,493	7,138
Depreciation	1,365	11	194	1,570
Repairs and maintenance	31	-	91	122
General administration	2,375	271	1,978	4,624
Claims	78,890	-	-	78,890
Other	8,944	6,147	4,774	19,865
Total operating expenses	<u>95,404</u>	<u>8,275</u>	<u>8,530</u>	<u>112,209</u>
Operating income (loss)	<u>14,434</u>	<u>(5,093)</u>	<u>(5,907)</u>	<u>3,434</u>
Nonoperating revenues				
Interest and investment income	<u>225</u>	<u>591</u>	<u>243</u>	<u>1,059</u>
Gain (loss) before capital contributions	<u>14,659</u>	<u>(4,502)</u>	<u>(5,664)</u>	<u>4,493</u>
Capital contributions	<u>-</u>	<u>12,581</u>	<u>21,036</u>	<u>33,617</u>
Change in net position	<u>14,659</u>	<u>8,079</u>	<u>15,372</u>	<u>38,110</u>
Net position				
Beginning of year, as previously reported	51,129	476,502	147,644	675,275
Adjustment for change in accounting principle	(3,225)	(2,356)	(986)	(6,567)
Beginning of year, as restated	<u>47,904</u>	<u>474,146</u>	<u>146,658</u>	<u>668,708</u>
End of year	<u>\$ 62,563</u>	<u>\$ 482,225</u>	<u>\$ 162,030</u>	<u>\$ 706,818</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Nonmajor Proprietary Funds
Combining Statement of Cash Flows
Year Ended June 30, 2015
(Amounts in thousands)

	Employer-Union Trust Fund	Water Pollution Control Revolving Fund	Drinking Water Treatment Revolving Loan Fund	Total Nonmajor Proprietary Funds
Cash flows from operating activities				
Cash received from employer and employee for premiums and benefits	\$ 522,997	\$ -	\$ -	\$ 522,997
Cash paid to suppliers	(4,240)	(196)	(2,281)	(6,717)
Cash paid to employees	(809)	(1,684)	(1,444)	(3,937)
Cash paid for premiums and benefits payable	(536,452)	-	-	(536,452)
Net cash used in operating activities	<u>(18,504)</u>	<u>(1,880)</u>	<u>(3,725)</u>	<u>(24,109)</u>
Cash flows from capital financing activities				
Purchase of equipment	(57)	-	(443)	(500)
Cash flows from noncapital financing activities				
State capital contributions	-	2,200	1,825	4,025
Proceeds from federal operating grants	-	10,194	18,980	29,174
Net cash provided by noncapital financing activities	<u>-</u>	<u>12,394</u>	<u>20,805</u>	<u>33,199</u>
Cash flows from investing activities				
Purchase of investments	(5,852)	-	-	(5,852)
Principal repayments on notes receivable	-	27,042	6,475	33,517
Disbursement of notes receivable proceeds	-	(26,669)	(48,376)	(75,045)
Interest income from notes receivable	-	2,118	318	2,436
Administrative loan fees	-	1,154	2,241	3,395
Interest from and change in fair value of investments	225	533	244	1,002
Net cash provided by (used in) investing activities	<u>(5,627)</u>	<u>4,178</u>	<u>(39,098)</u>	<u>(40,547)</u>
Net increase (decrease) in cash and cash equivalents	<u>(24,188)</u>	<u>14,692</u>	<u>(22,461)</u>	<u>(31,957)</u>
Cash and cash equivalents, including restricted amounts				
Beginning of year	30,180	128,693	69,443	228,316
End of year	<u>\$ 5,992</u>	<u>\$ 143,385</u>	<u>\$ 46,982</u>	<u>\$ 196,359</u>
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	\$ 14,434	\$ (5,093)	\$ (5,907)	\$ 3,434
Adjustments to reconcile operating income (loss) to net cash used in operating activities				
Depreciation	1,365	11	194	1,570
Premium reserves held by insurance companies	(35,170)	-	-	(35,170)
Principal forgiveness of loan	-	6,359	4,247	10,606
Interest income from loans	-	(2,040)	(331)	(2,371)
Administrative loan fees	-	(1,142)	(2,292)	(3,434)
Pension expense	-	85	507	592
Change in assets, deferred outflows, liabilities and deferred inflows				
Receivables	(4,799)	21	(44)	(4,822)
Prepaid and other expenses	7	-	-	7
Net deferred outflows/inflows of resources related to pensions	(157)	(255)	(193)	(605)
Vouchers and contracts payable	411	31	(105)	337
Net pension liability	56	-	-	56
Other post employment benefits liability	609	143	145	897
Other accrued liabilities	4,231	-	54	4,285
Benefits claim payable	509	-	-	509
Net cash used in operating activities	<u>\$ (18,504)</u>	<u>\$ (1,880)</u>	<u>\$ (3,725)</u>	<u>\$ (24,109)</u>

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii**Fiduciary Funds****Combining Statement of Fiduciary Net Position – Agency Funds****June 30, 2015****(Amounts in thousands)**

	Agency Funds			Total Agency Funds
	Tax Collections	Custodial	Other	
Assets				
Cash and cash equivalents	\$ 9,275	\$ 157,081	\$ 14,855	\$ 181,211
Receivables – taxes	-	-	47,694	47,694
Investments	42,256	407,191	66,033	515,480
Other assets, primarily due from individuals, businesses and counties	10,085	98,705	-	108,790
Total assets	\$ 61,616	\$ 662,977	\$ 128,582	\$ 853,175
Liabilities				
Vouchers payable	\$ 61,616	\$ 5	\$ 98	\$ 61,719
Due to individuals, businesses and counties	-	662,972	128,484	791,456
Total liabilities	\$ 61,616	\$ 662,977	\$ 128,582	\$ 853,175

The accompanying notes are an integral part of the basic financial statements.

State of Hawaii
Fiduciary Funds
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year Ended June 30, 2015
(Amounts in thousands)

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Tax collections				
Assets				
Cash and cash equivalents	\$ 4,836	\$ 8,132,224	\$ (8,127,785)	\$ 9,275
Due from individuals, businesses and counties	18,653	8,123,657	(8,132,225)	10,085
Investments	35,463	42,256	(35,463)	42,256
Total assets	<u>\$ 58,952</u>	<u>\$ 16,298,137</u>	<u>\$ (16,295,473)</u>	<u>\$ 61,616</u>
Liabilities				
Vouchers payable	\$ 58,952	\$ 61,616	\$ (58,952)	\$ 61,616
Total liabilities	<u>\$ 58,952</u>	<u>\$ 61,616</u>	<u>\$ (58,952)</u>	<u>\$ 61,616</u>
Custodial				
Assets				
Cash and cash equivalents	\$ 223,561	\$ 4,463,577	\$ (4,530,057)	\$ 157,081
Due from individuals, businesses and counties	73,614	418,335	(393,244)	98,705
Investments	317,948	378,781	(289,538)	407,191
Total assets	<u>\$ 615,123</u>	<u>\$ 5,260,693</u>	<u>\$ (5,212,839)</u>	<u>\$ 662,977</u>
Liabilities				
Vouchers payable	\$ -	\$ 5	\$ -	\$ 5
Due to individuals, businesses and counties	615,123	4,505,674	(4,457,825)	662,972
Total liabilities	<u>\$ 615,123</u>	<u>\$ 4,505,679</u>	<u>\$ (4,457,825)</u>	<u>\$ 662,977</u>
Other				
Assets				
Cash and cash equivalents	\$ 10,706	\$ 43,099	\$ (38,950)	\$ 14,855
Receivables	41,694	47,694	(41,694)	47,694
Investments	76,370	66,033	(76,370)	66,033
Total assets	<u>\$ 128,770</u>	<u>\$ 156,826</u>	<u>\$ (157,014)</u>	<u>\$ 128,582</u>
Liabilities				
Vouchers payable	\$ 1,660	\$ 98	\$ (1,660)	\$ 98
Due to individuals, businesses and counties	127,110	49,100	(47,726)	128,484
Total liabilities	<u>\$ 128,770</u>	<u>\$ 49,198</u>	<u>\$ (49,386)</u>	<u>\$ 128,582</u>
Total – All agency funds				
Assets				
Cash and cash equivalents	\$ 239,103	\$ 12,638,900	\$ (12,696,792)	\$ 181,211
Receivables	41,694	47,694	(41,694)	47,694
Due from individuals, businesses and counties	92,267	8,541,992	(8,525,469)	108,790
Investments	429,781	487,070	(401,371)	515,480
Total assets	<u>\$ 802,845</u>	<u>\$ 21,715,656</u>	<u>\$ (21,665,326)</u>	<u>\$ 853,175</u>
Liabilities				
Vouchers payable	\$ 60,612	\$ 61,719	\$ (60,612)	\$ 61,719
Due to individuals, businesses and counties	742,233	4,554,774	(4,505,551)	791,456
Total liabilities	<u>\$ 802,845</u>	<u>\$ 4,616,493</u>	<u>\$ (4,566,163)</u>	<u>\$ 853,175</u>

The accompanying notes are an integral part of the basic financial statements.

PART III: STATISTICAL SECTION

State of Hawaii
Statistical Section (Unaudited)
June 30, 2015

This Part of the State's comprehensive annual financial report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information on the State's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends Information: These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.	140–149
Revenue Capacity Information: These schedules contain information to help the reader assess the State's most significant local revenue sources, the general excise tax and net income tax.	150–157
Debt Capacity Information: These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.	158–164
Demographic and Economic Information: These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.	165–167
Operating Information: These schedules contain service and infrastructure data to help the reader understand how the information in the State's financial report relates to the services provided and the activities performed by the State.	168–173

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

State of Hawaii
Financial Trends Information
Net Position by Component (Accrual Basis of Accounting)
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Governmental activities					
Net investment in capital assets	\$ 2,826,649	\$ 2,772,220	\$ 2,863,379	\$ 2,794,481	\$ 3,326,245
Restricted	1,445,824	1,128,678	1,051,548	930,294	917,730
Unrestricted	<u>(7,379,890)</u>	<u>(3,096,065)</u>	<u>(2,669,391)</u>	<u>(2,394,874)</u>	<u>(2,384,187)</u>
Total governmental activities net position	<u><u>\$ (3,107,417)</u></u>	<u><u>\$ 804,833</u></u>	<u><u>\$ 1,245,536</u></u>	<u><u>\$ 1,329,901</u></u>	<u><u>\$ 1,859,788</u></u>
Business-type activities					
Net investment in capital assets	\$ 1,773,613	\$ 1,653,902	\$ 1,599,483	\$ 1,560,267	\$ 1,476,136
Restricted	1,227,441	1,160,551	1,068,146	966,042	956,894
Unrestricted	<u>995,207</u>	<u>1,050,981</u>	<u>899,740</u>	<u>649,583</u>	<u>579,383</u>
Total business-type activities net position	<u><u>\$ 3,996,261</u></u>	<u><u>\$ 3,865,434</u></u>	<u><u>\$ 3,567,369</u></u>	<u><u>\$ 3,175,892</u></u>	<u><u>\$ 3,012,413</u></u>
Primary government					
Net investment in capital assets	\$ 4,600,262	\$ 4,426,122	\$ 4,462,862	\$ 4,354,748	\$ 4,802,381
Restricted	2,673,265	2,289,229	2,119,694	1,896,336	1,874,624
Unrestricted	<u>(6,384,683)</u>	<u>(2,045,084)</u>	<u>(1,769,651)</u>	<u>(1,745,291)</u>	<u>(1,804,804)</u>
Total primary government net position	<u><u>\$ 888,844</u></u>	<u><u>\$ 4,670,267</u></u>	<u><u>\$ 4,812,905</u></u>	<u><u>\$ 4,505,793</u></u>	<u><u>\$ 4,872,201</u></u>

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statement Nos. 68 and 71.

2010	2009	2008	2007	2006
\$ 3,118,606	\$ 3,298,144	\$ 3,987,244	\$ 3,597,174	\$ 3,709,504
655,238	641,031	909,877	569,006	1,285,902
(1,306,716)	(471,543)	121,480	1,578,412	1,267,569
<u>\$ 2,467,128</u>	<u>\$ 3,467,632</u>	<u>\$ 5,018,601</u>	<u>\$ 5,744,592</u>	<u>\$ 6,262,975</u>
\$ 1,469,676	\$ 1,527,018	\$ 1,458,305	\$ 1,278,608	\$ 1,272,249
922,846	782,569	730,061	655,055	217,478
493,163	597,624	1,013,447	1,304,586	1,150,363
<u>\$ 2,885,685</u>	<u>\$ 2,907,211</u>	<u>\$ 3,201,813</u>	<u>\$ 3,238,249</u>	<u>\$ 2,640,090</u>
\$ 4,588,282	\$ 4,825,162	\$ 5,445,549	\$ 4,875,782	\$ 4,981,753
1,578,084	1,423,600	1,639,938	1,224,061	1,503,380
(813,553)	126,081	1,134,927	2,882,998	2,417,932
<u>\$ 5,352,813</u>	<u>\$ 6,374,843</u>	<u>\$ 8,220,414</u>	<u>\$ 8,982,841</u>	<u>\$ 8,903,065</u>

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Expenses					
Governmental activities					
General government	\$ 595,278	\$ 567,941	\$ 531,839	\$ 552,788	\$ 535,434
Public safety	504,343	533,727	451,946	502,002	471,459
Highways	426,142	554,039	490,091	516,924	450,548
Conservation of natural resources	89,176	101,587	52,208	96,349	89,021
Health	871,563	849,493	813,190	773,288	816,525
Welfare	3,196,602	2,879,813	2,798,053	2,464,582	2,553,829
Lower education	2,729,789	2,685,037	2,592,125	2,598,444	2,545,980
Higher education	761,837	693,292	654,611	672,716	707,381
Other education	21,664	21,766	20,086	16,753	14,018
Culture and recreation	84,265	104,303	94,679	111,628	108,697
Urban redevelopment and housing	115,653	137,160	173,677	23,888	66,144
Economic development and assistance	179,485	166,455	172,602	209,460	238,315
Interest expense	247,059	239,760	241,677	243,938	239,836
Total governmental activities expenses	<u>9,822,856</u>	<u>9,534,373</u>	<u>9,086,784</u>	<u>8,782,760</u>	<u>8,837,187</u>
Business-type activities					
Airports	350,041	346,699	366,918	353,541	354,368
Harbors	87,031	89,327	90,548	84,826	80,355
Unemployment compensation	186,893	244,947	336,931	468,610	561,548
Nonmajor proprietary funds	112,209	87,031	66,119	169,166	250,346
Total business-type activities expenses	<u>736,174</u>	<u>768,004</u>	<u>860,516</u>	<u>1,076,143</u>	<u>1,246,617</u>
Total primary government expenses	<u>\$ 10,559,030</u>	<u>\$ 10,302,377</u>	<u>\$ 9,947,300</u>	<u>\$ 9,858,903</u>	<u>\$ 10,083,804</u>
Program revenues					
Governmental activities					
Charges for services					
General government	\$ 248,915	\$ 223,066	\$ 267,081	\$ 266,878	\$ 270,078
Health	136,547	130,338	56,963	32,339	46,215
Other	314,099	287,937	170,603	121,928	112,479
Operating grants and contributions	2,809,460	2,660,770	2,589,537	2,370,437	2,837,464
Capital grants and contributions	139,977	97,290	96,184	97,322	132,825
Total governmental activities program revenues	<u>3,648,998</u>	<u>3,399,401</u>	<u>3,180,368</u>	<u>2,888,904</u>	<u>3,399,061</u>
Business-type activities					
Charges for services					
Airports	434,489	404,442	431,708	343,279	387,484
Unemployment compensation	239,375	353,546	507,096	533,963	535,243
Others	238,852	203,979	215,243	272,317	341,707
Capital grants and contributions	72,140	98,628	64,313	85,899	75,324
Total business-type activities program revenues	<u>984,856</u>	<u>1,060,595</u>	<u>1,218,360</u>	<u>1,235,458</u>	<u>1,339,758</u>
Total primary government program revenues	<u>\$ 4,633,854</u>	<u>\$ 4,459,996</u>	<u>\$ 4,398,728</u>	<u>\$ 4,124,362</u>	<u>\$ 4,738,819</u>
Net (expense) revenue					
Governmental activities	\$ (6,173,858)	\$ (6,134,972)	\$ (5,906,416)	\$ (5,893,856)	\$ (5,438,126)
Business-type activities	248,682	292,591	357,844	159,315	93,141
Total primary government net expenses	<u>\$ (5,925,176)</u>	<u>\$ (5,842,381)</u>	<u>\$ (5,548,572)</u>	<u>\$ (5,734,541)</u>	<u>\$ (5,344,985)</u>

Notes: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statement Nos. 68 and 71.

	2010	2009	2008	2007	2006
\$ 421,327	\$ 564,356	\$ 548,439	\$ 541,889	\$ 455,008	
538,110	464,897	414,463	378,409	336,362	
466,322	487,391	490,754	385,267	646,336	
81,561	119,705	74,411	68,745	76,490	
858,476	843,826	895,413	833,669	690,265	
2,348,190	2,140,202	1,877,188	1,773,505	1,709,526	
2,616,768	2,656,592	2,385,056	2,288,641	2,151,891	
700,335	878,126	815,116	759,777	678,338	
14,034	29,935	23,206	21,127	19,183	
108,247	106,583	107,676	92,444	98,121	
101,505	145,710	187,861	73,991	87,789	
209,611	158,808	157,421	148,164	215,578	
210,243	127,576	140,032	118,708	172,673	
<u>8,674,729</u>	<u>8,723,707</u>	<u>8,117,036</u>	<u>7,484,336</u>	<u>7,337,560</u>	
336,127	347,089	354,554	329,942	292,086	
68,291	124,611	80,344	76,830	61,408	
686,141	437,553	159,098	112,411	105,786	
256,205	38,672	22,619	4,871	2,587	
<u>1,346,764</u>	<u>947,925</u>	<u>616,615</u>	<u>524,054</u>	<u>461,867</u>	
<u>\$ 10,021,493</u>	<u>\$ 9,671,632</u>	<u>\$ 8,733,651</u>	<u>\$ 8,008,390</u>	<u>\$ 7,799,427</u>	
\$ 231,629	\$ 206,431	\$ 203,336	\$ 168,877	\$ 136,113	
98,547	99,788	102,032	98,681	132,360	
111,295	119,126	101,390	110,942	131,143	
2,598,141	2,260,551	1,887,298	1,820,886	1,726,217	
144,445	145,771	130,643	75,697	279,323	
<u>3,184,057</u>	<u>2,831,667</u>	<u>2,424,699</u>	<u>2,275,083</u>	<u>2,405,156</u>	
324,577	290,464	266,820	256,843	251,678	
486,476	169,976	87,486	138,070	181,146	
344,889	84,692	95,013	93,650	86,360	
98,099	103,195	81,967	148,597	81,145	
<u>1,254,041</u>	<u>648,327</u>	<u>531,286</u>	<u>637,160</u>	<u>600,329</u>	
<u>\$ 4,438,098</u>	<u>\$ 3,479,994</u>	<u>\$ 2,955,985</u>	<u>\$ 2,912,243</u>	<u>\$ 3,005,485</u>	
\$ (5,490,672)	\$ (5,892,040)	\$ (5,692,337)	\$ (5,209,253)	\$ (4,932,404)	
(92,723)	(299,598)	(85,329)	113,106	138,462	
<u>\$ (5,583,395)</u>	<u>\$ (6,191,638)</u>	<u>\$ (5,777,666)</u>	<u>\$ (5,096,147)</u>	<u>\$ (4,793,942)</u>	

(continued)

State of Hawaii
Financial Trends Information
Changes in Net Position (Accrual Basis of Accounting)
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
General revenues and other changes in net position					
Governmental activities					
Taxes					
General excise tax	\$ 3,021,418	\$ 2,816,346	\$ 2,991,792	\$ 2,774,636	\$ 2,507,980
Net income tax – corporations and individuals	2,073,015	1,840,890	1,795,683	1,633,085	1,477,624
Public service companies tax	163,481	166,179	163,930	150,528	117,940
Transient accommodations tax	202,345	188,721	186,377	138,529	60,839
Tobacco and liquor tax	165,137	155,990	161,066	170,824	173,851
Liquid fuel tax	88,449	88,707	87,645	88,842	91,265
Tax on premiums of insurance companies	147,767	139,074	133,585	119,472	140,586
Vehicle weight and registration tax	125,113	124,686	121,605	98,187	59,476
Rental motor/tour vehicle surcharge tax	51,941	42,853	52,112	106,417	43,892
Franchise tax	19,930	38,983	22,673	7,229	33,682
Other tax	76,222	96,131	80,081	70,873	67,799
Interest and investment income	16,024	13,163	25,502	5,347	55,852
Other	-	-	-	-	-
Total governmental activities	<u>6,150,842</u>	<u>5,711,723</u>	<u>5,822,051</u>	<u>5,363,969</u>	<u>4,830,786</u>
Business-type activities					
Interest and investment income	17,567	12,805	14,633	4,164	33,587
Other	-	-	19,000	-	-
Total business-type activities	<u>17,567</u>	<u>12,805</u>	<u>33,633</u>	<u>4,164</u>	<u>33,587</u>
Total primary government	<u>\$ 6,168,409</u>	<u>\$ 5,724,528</u>	<u>\$ 5,855,684</u>	<u>\$ 5,368,133</u>	<u>\$ 4,864,373</u>
Changes in net position					
Governmental activities	\$ (23,016)	\$ (423,249)	\$ (84,365)	\$ (529,887)	\$ (607,340)
Business-type activities	266,249	305,396	391,477	163,479	126,728
Total primary government	<u>\$ 243,233</u>	<u>\$ (117,853)</u>	<u>\$ 307,112</u>	<u>\$ (366,408)</u>	<u>\$ (480,612)</u>

Note: Amounts prior to fiscal 2014 have not been restated for GASB Statement No. 65.

Amounts prior to fiscal 2015 have not been restated for GASB Statement Nos. 68 and 71.

	2010	2009	2008	2007	2006
\$ 2,279,310	\$ 2,410,756	\$ 2,597,121	\$ 2,659,339	\$ 2,359,316	
1,408,965	1,366,576	1,634,117	1,620,452	1,675,131	
157,661	126,069	127,481	124,017	120,678	
32,635	14,408	17,756	7,382	124,133	
149,596	135,388	134,886	131,813	134,216	
82,780	88,006	90,123	87,179	84,719	
105,848	95,181	96,332	96,385	89,778	
58,659	59,392	60,842	59,422	56,101	
40,401	39,751	49,196	49,479	45,885	
20,666	28,075	20,213	19,012	18,324	
32,165	19,215	26,149	27,523	46,850	
124,516	(42,051)	112,024	102,295	99,546	
(3,034)	305	106	-	-	
<u>4,490,168</u>	<u>4,341,071</u>	<u>4,966,346</u>	<u>4,984,298</u>	<u>4,854,677</u>	
68,950	4,639	48,893	82,046	40,122	
-	-	-	-	-	
<u>68,950</u>	<u>4,639</u>	<u>48,893</u>	<u>82,046</u>	<u>40,122</u>	
<u>\$ 4,559,118</u>	<u>\$ 4,345,710</u>	<u>\$ 5,015,239</u>	<u>\$ 5,066,344</u>	<u>\$ 4,894,799</u>	
\$ (1,000,504)	\$ (1,550,969)	\$ (725,991)	\$ (224,955)	\$ (77,727)	
<u>(23,773)</u>	<u>(294,959)</u>	<u>(36,436)</u>	<u>195,152</u>	<u>178,584</u>	
<u>\$ (1,024,277)</u>	<u>\$ (1,845,928)</u>	<u>\$ (762,427)</u>	<u>\$ (29,803)</u>	<u>\$ 100,857</u>	

(concluded)

State of Hawaii

Financial Trends Information

Fund Balances – Governmental Funds (Modified Accrual Basis of Accounting)

Ten Years Ended June 30, 2015

(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
General Fund					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved	N/A	N/A	N/A	N/A	N/A
Total General Fund	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
All other governmental funds					
Reserved	N/A	N/A	N/A	N/A	N/A
Unreserved, reported in					
Capital projects fund	N/A	N/A	N/A	N/A	N/A
Special revenue funds	N/A	N/A	N/A	N/A	N/A
Total all other governmental funds	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
General Fund (under GASB 54)					
Assigned fund balance	\$ 205,242	\$ 256,483	\$ 271,020	\$ 236,779	\$ 210,164
Unassigned fund balance	<u>1,384,053</u>	<u>1,079,180</u>	<u>1,154,253</u>	<u>570,659</u>	<u>346,882</u>
Total General Fund	<u>\$ 1,589,295</u>	<u>\$ 1,335,663</u>	<u>\$ 1,425,273</u>	<u>\$ 807,438</u>	<u>\$ 557,046</u>
All other governmental funds (under GASB 54)					
Restricted fund balance	\$ 25,370	\$ 27,145	\$ 21,854	\$ 109	\$ 21,582
Committed fund balance	449,290	497,932	486,240	518,374	600,125
Assigned fund balance	1,009,503	739,279	612,762	532,466	339,337
Unassigned fund balance	(576,980)	(588,405)	(611,097)	(408,575)	(766,665)
Total all other governmental funds	<u>\$ 907,183</u>	<u>\$ 675,951</u>	<u>\$ 509,759</u>	<u>\$ 642,374</u>	<u>\$ 194,379</u>

Note: Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance has not been restated for prior years.

N/A Not applicable

2010	2009	2008	2007	2006
\$ 243,485	\$ 272,557	\$ 406,884	\$ 414,899	\$ 249,581
(210,551)	(87,537)	567,474	881,311	1,013,988
<u>\$ 32,934</u>	<u>\$ 185,020</u>	<u>\$ 974,358</u>	<u>\$ 1,296,210</u>	<u>\$ 1,263,569</u>
 \$ 2,275,968	 \$ 2,801,012	 \$ 2,344,961	 \$ 1,643,345	 \$ 1,851,194
(1,651,855)	(2,019,696)	(1,788,357)	(1,111,924)	(878,164)
<u>293,625</u>	<u>255,844</u>	<u>410,265</u>	<u>556,963</u>	<u>637,664</u>
<u>\$ 917,738</u>	<u>\$ 1,037,160</u>	<u>\$ 966,869</u>	<u>\$ 1,088,384</u>	<u>\$ 1,610,694</u>
 N/A	 N/A	 N/A	 N/A	 N/A
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
 N/A	 N/A	 N/A	 N/A	 N/A
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

State of Hawaii
Financial Trends Information
Changes in Fund Balances – Governmental Funds
(Modified Accrual Basis of Accounting)
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Revenues					
Taxes					
General excise tax	\$ 3,021,418	\$ 2,816,346	\$ 2,991,792	\$ 2,774,636	\$ 2,507,980
Net income tax – corporations and individuals	2,047,327	1,840,963	1,804,409	1,633,412	1,473,188
Public service companies tax	163,481	166,179	163,930	150,528	117,940
Transient accommodations tax	202,345	188,721	186,377	138,529	60,839
Tobacco and liquor tax	165,137	155,990	161,066	170,824	173,851
Liquid fuel tax	88,449	88,707	87,645	88,842	91,265
Tax on premiums of insurance companies	147,767	139,074	133,585	119,472	140,586
Vehicle weight and registration tax	125,113	124,686	121,605	98,187	59,476
Rental motor/tour vehicle surcharge tax	51,941	42,853	52,112	106,417	43,892
Franchise tax	19,930	38,983	22,673	7,229	33,682
Other	76,222	96,131	80,079	70,873	67,799
Total taxes	<u>6,109,130</u>	<u>5,698,633</u>	<u>5,805,273</u>	<u>5,358,949</u>	<u>4,770,498</u>
Interest and investment income (loss)	16,024	13,163	25,502	5,347	55,854
Charges for current services	384,380	363,791	369,269	337,765	348,108
Intergovernmental	2,803,989	2,650,876	2,372,480	2,238,639	2,567,266
Rentals	31,127	31,846	28,633	25,421	23,319
Fines, forfeitures and penalties	37,201	33,087	36,802	35,083	34,712
Licenses and fees	42,463	47,209	46,839	46,390	41,557
Revenues from private sources	121,366	112,916	104,670	65,085	54,857
Other	191,472	173,483	235,516	152,091	343,318
Total revenues	<u>9,737,152</u>	<u>9,125,004</u>	<u>9,024,984</u>	<u>8,264,770</u>	<u>8,239,489</u>
Expenditures					
Current					
General government	573,820	543,129	408,538	487,596	487,848
Public safety	484,960	519,954	432,024	454,957	423,716
Highways	455,563	403,559	418,991	414,629	376,780
Conservation of natural resources	145,516	108,703	92,601	98,428	93,600
Health	855,797	828,088	779,755	729,841	757,482
Welfare	3,192,807	2,945,370	2,773,241	2,443,936	2,526,743
Lower education	2,619,156	2,603,774	2,358,763	2,330,130	2,208,303
Higher education	761,837	693,292	654,611	672,716	707,380
Other education	21,664	21,766	20,086	16,753	14,018
Culture and recreation	96,676	107,846	107,940	109,974	117,306
Urban redevelopment and housing	71,384	65,228	66,243	48,484	73,789
Economic development and assistance	176,919	158,379	157,468	147,445	158,104
Housing	48,565	63,683	112,614	46,133	61,352
Other	15,179	29,818	32,716	12,108	12,223
Debt service					
Principal	444,791	458,983	399,382	313,721	191,244
Interest and others	289,524	278,315	288,267	274,039	266,737
Total expenditures	<u>10,254,158</u>	<u>9,829,887</u>	<u>9,103,240</u>	<u>8,600,890</u>	<u>8,476,625</u>
Excess of expenditures over revenues	<u>(517,006)</u>	<u>(704,883)</u>	<u>(78,256)</u>	<u>(336,120)</u>	<u>(237,136)</u>
Other financing sources (uses)					
Proceeds from borrowing and refunding	1,518,709	948,190	1,066,848	1,600,308	-
Payments to escrow agent	(516,839)	(185,560)	(503,372)	(565,801)	-
Transfers in	1,171,272	1,066,780	1,033,917	950,717	921,433
Transfers out	(1,171,272)	(1,066,780)	(1,033,917)	(950,717)	(921,433)
Other	-	18,835	-	-	37,889
Total other financing sources	<u>1,001,870</u>	<u>781,465</u>	<u>563,476</u>	<u>1,034,507</u>	<u>37,889</u>
Net change in fund balances	<u>\$ 484,864</u>	<u>\$ 76,582</u>	<u>\$ 485,220</u>	<u>\$ 698,387</u>	<u>\$ (199,247)</u>

	2010	2009	2008	2007	2006
\$ 2,279,310	\$ 2,410,756	\$ 2,597,121	\$ 2,632,485	\$ 2,359,316	
1,408,965	1,373,893	1,637,265	1,618,570	1,664,331	
157,661	126,069	127,481	124,017	120,678	
32,635	14,408	17,756	7,382	124,133	
149,596	135,388	134,886	131,813	134,216	
82,780	88,006	90,123	87,179	84,719	
105,848	95,181	96,332	96,385	89,778	
58,659	59,392	60,842	59,422	56,101	
40,401	39,751	49,196	49,479	48,092	
20,666	28,075	20,213	2,000	18,324	
32,165	19,215	26,149	44,535	46,850	
<u>4,368,686</u>	<u>4,390,134</u>	<u>4,857,364</u>	<u>4,853,267</u>	<u>4,746,538</u>	
124,518	(42,051)	115,247	122,606	82,013	
364,893	357,078	341,371	318,235	343,424	
2,432,369	2,090,058	1,807,376	1,727,895	1,601,005	
19,712	21,107	20,152	21,639	32,493	
35,982	33,888	32,618	28,488	26,827	
36,641	33,324	31,731	30,837	29,364	
57,850	63,401	59,508	39,401	39,647	
<u>182,367</u>	<u>246,369</u>	<u>131,291</u>	<u>127,444</u>	<u>128,283</u>	
<u>7,623,018</u>	<u>7,193,308</u>	<u>7,396,658</u>	<u>7,269,812</u>	<u>7,029,594</u>	
436,290	597,210	537,541	458,236	493,301	
457,058	435,414	411,152	376,032	322,578	
442,971	442,421	406,795	337,862	267,213	
88,873	120,693	103,596	107,578	86,628	
801,923	798,026	863,914	832,333	685,679	
2,315,726	2,119,481	1,857,473	1,770,707	1,709,810	
2,325,066	2,454,668	2,201,901	2,305,280	1,984,129	
700,335	878,127	815,116	759,777	678,338	
14,033	29,912	23,206	20,122	19,183	
108,536	107,302	110,404	92,574	87,478	
115,796	179,819	255,783	170,614	60,725	
166,320	169,547	149,075	147,146	215,559	
24,153	1,909	-	-	-	
4,460	1,175	5,880	7,248	4,634	
179,624	204,604	231,478	271,010	247,935	
<u>248,551</u>	<u>197,118</u>	<u>247,257</u>	<u>231,723</u>	<u>199,642</u>	
<u>8,429,715</u>	<u>8,737,426</u>	<u>8,220,571</u>	<u>7,888,242</u>	<u>7,062,832</u>	
<u>(806,697)</u>	<u>(1,544,118)</u>	<u>(823,913)</u>	<u>(618,430)</u>	<u>(33,238)</u>	
1,150,482	1,174,768	445,687	395,303	367,585	
(619,708)	(349,697)	(29,510)	-	-	
721,810	761,393	803,456	796,195	499,655	
(721,810)	(761,393)	(803,456)	(796,195)	(499,655)	
4,415	-	-	-	-	
<u>535,189</u>	<u>825,071</u>	<u>416,177</u>	<u>395,303</u>	<u>367,585</u>	
<u>\$ (271,508)</u>	<u>\$ (719,047)</u>	<u>\$ (407,736)</u>	<u>\$ (223,127)</u>	<u>\$ 334,347</u>	

State of Hawaii
Revenue Capacity Information
Personal Income by Industry
Ten Years Ended June 30, 2015
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Farm earnings	\$ 318	\$ 349	\$ 243	\$ 288	\$ 288
Nonfarm wage and salary worker					
Goods-producing industries					
Forestry, fishing-related activities and other	76	66	60	60	42
Mining	41	37	39	35	33
Construction	3,542	3,328	3,236	3,046	2,843
Manufacturing – durable and nondurable goods	878	833	804	767	768
Subtotal goods – producing industries	<u>4,537</u>	<u>4,264</u>	<u>4,139</u>	<u>3,908</u>	<u>3,686</u>
Service-producing industries					
Transportation, communication and utilities	2,424	2,316	2,178	1,889	1,783
Trade	4,130	4,089	3,929	3,768	3,666
Information	718	711	692	645	711
Finance, insurance and real estate	3,110	3,267	2,752	2,329	2,081
Service	17,608	17,126	16,423	15,438	15,075
State and local government	6,426	6,089	5,873	5,425	5,327
Federal government	8,400	8,139	8,507	10,094	9,531
Subtotal service-producing industries	<u>42,816</u>	<u>41,737</u>	<u>40,354</u>	<u>39,588</u>	<u>38,174</u>
Total nonfarm wage and salary worker	<u>47,353</u>	<u>46,001</u>	<u>44,493</u>	<u>43,496</u>	<u>41,860</u>
Other (1)	19,092	18,270	18,473	16,144	15,981
Total personal income	\$ 66,763	\$ 64,620	\$ 63,209	\$ 59,928	\$ 58,129
Total direct income tax rate (2)	N/A	N/A	N/A	N/A	N/A

(1) Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

(2) The total direct rate for personal income is not available.

Source: State of Hawaii Department of Business, Economic Development and Tourism – Data Book and Quarterly Statistical and Economic Report (QSER)
Bureau of Economic Analysis – SQ5N Personal Income by major source and earnings by major NAICS industry.

N/A Not available.

2010	2009	2008	2007	2006
\$ 250	\$ 232	\$ 220	\$ 213	\$ 210
45	36	47	42	53
51	44	45	55	53
2,598	2,714	3,271	3,188	3,004
766	807	874	1,003	1,000
3,460	3,601	4,237	4,288	4,110
1,718	1,714	1,826	1,926	1,831
3,651	3,636	3,817	3,654	3,540
732	657	711	759	758
2,014	2,044	2,126	2,311	2,367
14,901	14,514	14,723	13,611	13,013
5,609	5,609	5,372	5,023	4,747
9,252	9,077	8,258	7,745	7,249
37,877	37,251	36,833	35,029	33,505
41,337	40,852	41,070	39,317	37,615
14,661	13,329	12,891	10,601	9,514
\$ 56,248	\$ 54,413	\$ 54,181	\$ 50,131	\$ 47,339
N/A	N/A	N/A	N/A	N/A

State of Hawaii
Revenue Capacity Information
Personal Income Tax Rates
Ten Years Ended December 31, 2015

Top Income Tax Rate is Applied to Taxable Income in Excess of

Year	Top Rate	Single	Top Rate	Married		Top Rate	Head of Household
				Filing Jointly	Top Rate		
2015	11.00% + \$16,379	\$ 200,000	11.00% + \$32,757	\$ 400,000	11.00% + \$24,568	\$ 300,000	
2014	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000	
2013	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000	
2012	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000	
2011	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000	
2010	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000	
2009	11.00% + \$16,379	200,000	11.00% + \$32,757	400,000	11.00% + \$24,568	300,000	
2008	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000	
2007	8.25% + \$3,214	48,000	8.25% + \$6,427	96,000	8.25% + \$4,820	72,000	
2006	8.25% + \$2,678	40,000	8.25% + \$5,356	80,000	8.25% + \$4,017	60,000	

Source: State of Hawaii, Department of Taxation.

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State of Hawaii
Revenue Capacity Information
Taxable Sales by Industry
Ten Years Ended June 30, 2015
(Amounts in millions)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Taxable sales by activities					
Retailing	\$ 29,987	\$ 31,152	\$ 29,636	\$ 29,095	\$ 25,887
Services	13,361	13,795	12,985	12,696	11,944
Contracting	7,322	7,046	7,547	6,253	5,687
Hotel rentals	4,328	4,279	3,871	3,431	3,024
All other rentals	6,544	6,472	6,377	6,154	5,999
All other (4%)	<u>5,486</u>	<u>5,683</u>	<u>5,337</u>	<u>5,160</u>	<u>4,825</u>
Subtotal	<u>67,028</u>	<u>68,427</u>	<u>65,753</u>	<u>62,789</u>	<u>57,366</u>
Producing	321	436	399	401	370
Manufacturing	716	1,876	639	681	698
Wholesaling	14,294	14,675	14,430	14,442	13,121
Use (0.5%)	7,127	6,489	8,867	8,005	6,669
Services (intermediary)	716	1,096	628	653	577
Insurance solicitors	<u>489</u>	<u>485</u>	<u>464</u>	<u>477</u>	<u>480</u>
Subtotal	<u>23,663</u>	<u>25,057</u>	<u>25,427</u>	<u>24,659</u>	<u>21,915</u>
Total all activities	<u><u>\$ 90,691</u></u>	<u><u>\$ 93,484</u></u>	<u><u>\$ 91,180</u></u>	<u><u>\$ 87,448</u></u>	<u><u>\$ 79,281</u></u>

General excise and use tax is imposed on the gross income received by the business, as follows:

- 4% of sales of tangible personal property, services, contracting, theater amusement and broadcasting, commissions, transient accommodation rentals, other rentals, interest, and other business activities;
- 0.5% of sales from wholesaling, manufacturing, producing, wholesale services, and imports for resale;
- 0.15% on insurance producer commissions.

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

2010	2009	2008	2007	2006
\$ 23,919	\$ 24,318	\$ 26,183	\$ 25,509	\$ 24,812
11,154	11,059	11,073	11,205	10,314
5,864	7,631	7,863	7,904	6,545
2,606	2,812	3,321	3,480	3,251
5,778	6,094	5,818	5,814	5,445
4,360	4,375	5,238	5,606	5,245
<u>53,681</u>	<u>56,289</u>	<u>59,496</u>	<u>59,518</u>	<u>55,612</u>
340	405	457	482	589
704	809	761	818	720
12,207	12,502	13,746	13,558	12,963
6,430	6,883	7,215	7,742	7,125
572	611	649	718	563
502	535	544	617	551
<u>20,755</u>	<u>21,745</u>	<u>23,372</u>	<u>23,935</u>	<u>22,511</u>
<u>\$ 74,436</u>	<u>\$ 78,034</u>	<u>\$ 82,868</u>	<u>\$ 83,453</u>	<u>\$ 78,123</u>

State of Hawaii
Revenue Capacity Information
Sales Tax Revenue Payers by Industry
Ten Years Ended June 30, 2015
(Amounts in thousands)

	2015		2014		2013		2012		Fiscal Year Ended June 30, 2011	
	Tax Liability	Percentage of Total	Tax Liability	Percentage of Total						
Retailing	\$ 1,199,488	39.4%	\$ 1,246,061	43.3%	\$ 1,185,446	40.3%	\$ 1,163,805	43.1%	\$ 1,035,465	41.5%
Services	534,442	17.5%	551,784	19.2%	519,419	17.6%	507,864	18.8%	477,753	19.3%
Contracting	292,874	9.6%	281,839	9.8%	301,875	10.3%	250,122	9.3%	227,497	9.1%
Theater, amusement, etc.	15,955	0.5%	15,619	0.5%	15,986	0.5%	15,776	0.6%	14,945	0.6%
Interest	1	0.0%	3	0.0%	3	0.0%	4	0.0%	74	0.0%
Commissions	45,619	1.5%	45,125	1.6%	42,064	1.4%	38,848	1.4%	36,574	1.5%
Hotel rentals	173,100	5.7%	171,162	5.9%	154,837	5.3%	137,222	5.1%	120,954	4.8%
All other rentals	261,743	8.6%	258,886	9.0%	255,074	8.7%	246,151	9.1%	239,944	9.6%
Use (4%)	39,884	1.3%	40,277	1.4%	41,015	1.4%	41,797	1.6%	37,316	1.5%
All other (4%)	118,014	3.9%	126,306	4.4%	114,396	3.9%	109,989	4.1%	104,073	4.2%
Pineapple canning	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Producing	1,605	0.1%	2,181	0.1%	1,997	0.1%	2,004	0.1%	1,850	0.1%
Manufacturing	3,581	0.1%	9,380	0.3%	3,194	0.1%	3,402	0.1%	3,488	0.1%
Wholesaling	71,471	2.3%	73,373	2.5%	72,149	2.4%	72,210	2.7%	65,608	2.6%
Use (0.5%)	35,634	1.2%	32,446	1.1%	44,337	1.5%	40,026	1.5%	33,347	1.3%
Services (Intermediary)	3,578	0.1%	5,480	0.2%	3,139	0.1%	3,265	0.1%	2,886	0.1%
Insurance solicitors	733	0.0%	728	0.0%	697	0.0%	716	0.0%	721	0.0%
Unallocated collections	250,484	8.2%	19,893	0.7%	188,859	6.4%	64,750	2.4%	93,312	3.7%
Total	<u>\$ 3,048,206</u>	<u>100.0%</u>	<u>\$ 2,880,543</u>	<u>100.0%</u>	<u>\$ 2,944,487</u>	<u>100.0%</u>	<u>\$ 2,697,951</u>	<u>100.0%</u>	<u>\$ 2,495,807</u>	<u>100.0%</u>

Source: State of Hawaii, Department of Taxation – Monthly Tax Collection Reports.

Note: Information for number of filers is not available

2010		2009		2008		2007		2006	
Tax Liability	Percentage of Total								
\$ 956,761	41.3%	\$ 972,728	40.1%	\$ 1,047,340	40.0%	\$ 1,020,357	39.9%	\$ 992,472	42.1%
446,142	19.3%	442,356	18.3%	442,909	17.0%	448,202	17.5%	412,576	17.5%
234,562	10.1%	305,241	12.6%	314,538	12.0%	316,142	12.4%	261,804	11.1%
13,378	0.6%	13,557	0.6%	13,998	0.5%	13,588	0.5%	12,791	0.5%
191	0.0%	339	0.0%	7,963	0.3%	13,818	0.5%	8,937	0.4%
33,024	1.4%	35,230	1.5%	42,500	1.6%	52,101	2.0%	55,306	2.4%
104,260	4.5%	112,484	4.6%	132,841	5.1%	139,186	5.5%	130,048	5.5%
231,123	10.0%	243,762	10.1%	232,718	8.9%	232,539	9.1%	217,799	9.3%
34,484	1.5%	34,088	1.4%	39,034	1.5%	37,548	1.5%	38,144	1.6%
93,327	4.0%	91,761	3.8%	106,040	4.0%	107,196	4.2%	94,636	4.0%
-	0.0%	-	0.0%	-	0.0%	76	0.0%	35	0.0%
1,697	0.1%	2,023	0.1%	2,286	0.1%	2,336	0.1%	2,908	0.1%
3,517	0.2%	4,045	0.2%	3,804	0.1%	4,091	0.2%	3,598	0.2%
61,036	2.6%	62,509	2.6%	68,730	2.6%	67,790	2.7%	64,814	2.8%
32,152	1.4%	34,415	1.4%	36,073	1.4%	38,712	1.5%	35,623	1.5%
2,862	0.1%	3,054	0.1%	3,242	0.1%	3,592	0.1%	2,813	0.1%
753	0.0%	803	0.0%	815	0.0%	925	0.0%	827	0.0%
67,165	2.9%	61,855	2.6%	123,953	4.8%	57,563	2.3%	20,186	0.9%
\$ 2,316,434	100.0%	\$ 2,420,250	100.0%	\$ 2,618,784	100.0%	\$ 2,555,762	100.0%	\$ 2,355,317	100.0%

State of Hawaii
Debt Capacity Information
Ratios of Outstanding Debt by Type
Ten Years Ended June 30, 2015
(Amounts in thousands except per capita data)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Governmental activities					
General obligation bonds	\$ 5,963,928	\$ 5,784,139	\$ 5,534,921	\$ 5,475,348	\$ 4,987,544
Revenue bonds	631,110	412,725	441,150	468,180	378,625
Capital leases	96,175	102,622	89,879	95,340	100,520
Total governmental activities	<u>6,691,213</u>	<u>6,299,486</u>	<u>6,065,950</u>	<u>6,038,868</u>	<u>5,466,689</u>
Business-type activities					
General obligation bonds	29,332	31,176	32,934	34,611	36,221
Revenue bonds	1,218,943	1,278,137	1,326,112	1,370,314	1,410,624
Lease revenue certificates of participation	172,864	173,771	-	-	-
Total business-type activities	<u>1,421,139</u>	<u>1,483,084</u>	<u>1,359,046</u>	<u>1,404,925</u>	<u>1,446,845</u>
Total primary government	<u>\$ 8,112,352</u>	<u>\$ 7,782,570</u>	<u>\$ 7,424,996</u>	<u>\$ 7,443,793</u>	<u>\$ 6,913,534</u>
Hawaii total personal income	\$ 66,763,000	\$ 64,620,000	\$ 63,209,000	\$ 59,928,000	\$ 58,129,000
Debt as a percentage of personal income	12.2%	12.0%	11.7%	12.4%	11.9%
Hawaii population	1,432	1,420	1,404	1,392	1,375
Amount of debt per capita	\$ 5,665	\$ 5,481	\$ 5,288	\$ 5,348	\$ 5,028

Source: State of Hawaii, Comprehensive Annual Financial Reports.
 State of Hawaii, Department of Business, Economic Development and Tourism – QSER.

Note: Details regarding the State's outstanding debt can be found in the notes to basic financial statements.

2010	2009	2008	2007	2006
\$ 5,157,198	\$ 4,779,666	\$ 4,408,572	\$ 4,079,714	\$ 4,322,964
400,215	420,605	268,425	283,310	306,255
64,385	71,685	75,480	79,090	58,035
<u>5,621,798</u>	<u>5,271,956</u>	<u>4,752,477</u>	<u>4,442,114</u>	<u>4,687,254</u>
37,362	38,329	38,357	37	137
1,248,680	861,423	861,141	939,349	883,823
-	-	-	-	-
<u>1,286,042</u>	<u>899,752</u>	<u>899,498</u>	<u>939,386</u>	<u>883,960</u>
\$ 6,907,840	\$ 6,171,708	\$ 5,651,975	\$ 5,381,500	\$ 5,571,214
\$ 56,248,000	\$ 54,413,000	\$ 54,181,000	\$ 50,131,000	\$ 47,339,000
12.3%	11.3%	10.4%	10.7%	11.8%
1,300	1,295	1,287	1,299	1,285
\$ 5,314	\$ 4,766	\$ 4,392	\$ 4,143	\$ 4,336

State of Hawaii
Debt Capacity Information
Ratios of Net General Bonded Debt Outstanding
Ten Years Ended June 30, 2015
(Amounts in thousands except ratio data)

Fiscal Year	Taxable Sales (1)	Population (2)	General Obligation Bonded Debt (3)(4)	Less: Debt Services Monies Available (3)	Net General Obligation Bonded Debt	Percentage of Taxable Sales	Net General Obligation Bonded Debt Per Capita
2015	\$ 90,691,000	1,432	\$ 5,963,928	\$ 35	\$ 5,963,893	6.6%	\$ 4,165
2014	93,484,000	1,420	5,784,139	35	5,784,104	6.2%	4,073
2013	91,181,000	1,404	5,534,921	63	5,534,858	6.1%	3,942
2012	87,448,000	1,392	5,475,348	64	5,475,284	6.3%	3,933
2011	79,281,000	1,375	4,987,544	109	4,987,435	6.3%	3,627
2010	74,436,000	1,300	5,157,198	118	5,157,080	6.9%	3,967
2009	78,034,000	1,295	4,779,666	68	4,779,598	6.1%	3,691
2008	82,868,000	1,287	4,408,572	22,002	4,386,570	5.3%	3,408
2007	83,453,000	1,276	4,079,714	21,704	4,058,010	5.2%	3,180
2006	78,123,000	1,285	4,322,694	7,226	4,315,738	5.9%	3,359

- (1) **Source:** State of Hawaii, Department of Taxation.
- (2) **Source:** State of Hawaii, Department of Business, Economic Development and Tourism – Census Data.
- (3) **Source:** State of Hawaii, Department of Accounting and General Services, Accounting Division.
- (4) Excludes Enterprise Funds and Component Unit – UH general obligation bonds.

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State of Hawaii
Debt Capacity Information
Legal Debt Margin Information
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Average general fund revenues of the three preceding fiscal years	\$ 6,294,642	\$ 5,987,800	\$ 5,659,152	\$ 5,197,547	\$ 4,992,943
Constitutional debt limit percentage	18.5%	18.5%	18.5%	18.5%	18.5%
Constitutional debt limit for total principal and interest payable in a current or future year	1,164,509	1,107,743	1,046,943	961,546	923,694
Less: Total principal and interest payable on outstanding general obligation bonds in highest debt service year (fiscal year ended June 30, 2012)	(693,934)	(693,677)	(693,592)	(667,041)	(618,711)
Legal debt margin	\$ 470,575	\$ 414,066	\$ 353,351	\$ 294,505	\$ 304,983
Legal debt margin as a percentage of the debt limit	40.4%	37.4%	33.8%	30.6%	33.0%

The formula for the legal debt limit is contained in Article VII, Section 13 of the State Constitution.

2010	2009	2008	2007	2006
\$ 5,032,973	\$ 5,126,782	\$ 5,083,126	\$ 4,832,700	\$ 4,423,191
18.5%	18.5%	18.5%	18.5%	18.5%
931,100	948,455	940,378	894,050	818,290
(610,255)	(563,266)	(540,348)	(550,696)	(533,810)
\$ 320,845	\$ 385,189	\$ 400,030	\$ 343,354	\$ 284,480
34.5%	40.6%	42.5%	38.4%	34.8%

State of Hawaii
Debt Capacity Information
Pledge Revenue Coverage
Ten Years Ended June 30, 2015
(Amounts in thousands)

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenue bonds – Airports										
Gross revenue (1)	\$ 355,948	\$ 341,155	\$ 385,841	\$ 319,542	\$ 322,639	\$ 295,087	\$ 288,583	\$ 307,418	\$ 286,838	\$ 267,927
Less: Operating expenses (2)	253,581	246,982	244,328	230,224	218,290	214,208	233,896	239,667	211,119	171,990
Net available revenue	102,367	94,173	141,513	89,318	104,349	80,879	54,687	67,751	75,719	95,937
Debt services										
Principal	35,725	34,210	40,305	30,579	25,370	23,615	22,310	21,140	32,250	30,565
Interest (3)	41,671	23,414	40,705	34,440	35,319	21,300	17,453	26,076	10,868	11,557
Total debt services	77,396	57,624	81,010	65,019	60,689	44,915	39,763	47,216	43,118	42,122
Coverage (4)	132%	163%	175%	137%	172%	180%	138%	143%	176%	228%
Revenue bonds – Harbors										
Gross revenue (5)	\$ 124,663	\$ 122,379	\$ 114,640	\$ 104,678	\$ 88,018	\$ 74,155	\$ 80,896	\$ 96,256	\$ 97,414	\$ 89,402
Less: Operating expenses (6)	43,132	43,837	44,048	41,202	37,650	36,930	47,814	49,229	42,967	35,140
Net available revenue	81,531	78,542	70,592	63,476	50,368	37,225	33,082	47,027	54,447	54,262
Debt services	31,176	31,528	31,531	27,770	27,965	23,226	23,167	24,290	25,364	19,265
Coverage (4)	262%	249%	224%	229%	180%	160%	143%	194%	215%	282%
Revenue bonds – Highways										
Gross revenue	N/A	\$ 255,431	\$ 256,102	\$ 232,543	\$ 197,142	\$ 184,852	\$ 189,498	\$ 213,378	\$ 210,989	\$ 204,287
Less: Operating expenses	N/A	205,872	184,696	173,811	165,857	179,400	189,987	184,097	172,167	172,633
Net available revenue	N/A	49,559	71,406	58,732	31,285	5,452	(489)	29,281	38,822	31,654
Debt services										
Principal	31,890	28,825	27,170	22,465	21,570	20,535	16,150	15,495	14,885	14,295
Interest	19,402	19,036	20,245	18,906	17,195	18,028	15,823	12,930	12,988	14,096
Total debt services	51,292	47,861	47,415	41,371	38,765	38,563	31,973	28,425	27,873	28,391
Coverage (7)	N/A	104%	151%	142%	81%	14%	-2%	103%	139%	111%
Revenue bonds – Department of Hawaiian Home Lands										
Revenue	\$ 15,230	\$ 15,763	\$ 12,585	\$ 12,078	\$ 12,036	\$ 11,939	\$ -	\$ -	\$ -	\$ 10,289
Less: Operating expenses	-	-	-	-	-	-	-	-	-	6,321
Net available revenue	15,230	15,763	12,585	12,078	12,036	11,939	-	-	-	3,968
Debt services										
Principal	775	740	710	680	655	640	-	-	-	1,250
Interest	2,237	2,270	2,301	2,328	2,254	2,370	-	-	-	391
Total debt services	3,012	3,010	3,011	3,008	2,909	3,010	-	-	-	1,641
Coverage (4)	506%	524%	418%	402%	414%	397%	0%	0%	0%	242%

(1) Total operating revenues plus interest income and federal operating grants, exclusive of interest earned on investment in financing leases.
 (2) Total operating expenses other than depreciation less (plus) excess of actual disbursements over (under) required reserve for major maintenance, renewal and replacement plus amounts required to be paid into the General Fund for general obligation bond requirements.
 (3) For purposes of calculating the debt service requirement, interest payment for airports system revenue bonds exclude the amortization of the deferred loss on refunding and original issue discount and premium, which are reported as interest expense for financial statement reporting purposes.

For fiscal 2008, Airports deposited \$10,000,000 of available funds into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required pursuant to the provisions of Section 6.01 to be paid or credited during fiscal 2008 to the interest account as required in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

For fiscals 2015 and 2014, Airports transferred \$18,500,000 and \$19,000,000, respectively, of available funds from the Prepaid Airport Use Charge Fund into the Airport Revenue Fund for credit to the interest account in the current year to reduce the amount required to be deposited to the interest account, pursuant to the provisions of Section 6.01 in the "Certificate of the Director of Transportation Providing for the Issuance of State of Hawaii Airports System Revenue Bonds."

(4) Revenue bond indentures require a minimum debt service coverage percentage of 125%.
 (5) Total operating and nonoperating revenues exclusive of interest income on investment in financing leases and special facility construction fund and revenue fund investments.
 (6) Total operating expenses other than depreciation, less State of Hawaii surcharge for central service expenses.
 (7) Highways revenue bond indentures require a minimum debt service coverage percentage of 100% during a routine year, 200% during the year bonds are issued, and 135% is required for any year Highways' funds are transferred out (i.e., General Fund).

N/A Not available

Coverage equals net available revenue divided by debt services.

Source: Airports Audited Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Airports Division.
 Harbors Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Harbors Division.
 Highways Financial Statements and Schedules of the State of Hawaii, Department of Transportation, Highways Division.
 DHHL Audited Financial Statements and Schedules of the State of Hawaii, Department of Hawaiian Home Lands.

State of Hawaii
Demographic and Economic Information
Demographic and Economic Statistics
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Population (in thousands)										
State	1,432	1,420	1,404	1,392	1,375	1,300	1,298	1,287	1,276	1,285
Percentage change	0.85%	1.14%	0.85%	1.22%	5.77%	0.15%	0.46%	0.54%	1.09%	1.50%
National	321,419	318,857	316,129	313,914	311,592	308,746	307,007	304,375	301,580	285,593
Percentage change	0.80%	0.86%	0.70%	0.74%	0.92%	0.57%	0.86%	0.93%	1.00%	0.96%
Total personal income (in millions)										
State	\$ 66,763	\$ 64,620	\$ 63,209	\$ 59,928	\$ 58,129	\$ 56,248	\$ 54,413	\$ 54,181	\$ 50,131	\$ 47,339
Percentage change	3.32%	2.23%	5.19%	3.00%	3.34%	3.37%	0.43%	8.08%	5.90%	7.32%
National	\$ 14,991,944	\$ 14,420,041	\$ 13,904,502	\$ 13,150,560	\$ 12,691,347	\$ 12,530,101	\$ 12,015,535	\$ 12,225,589	\$ 11,879,836	\$ 11,256,516
Percentage change	3.97%	3.71%	5.42%	3.49%	1.29%	4.28%	(1.72%)	2.91%	5.54%	7.44%
Per capita personal income (in thousands)										
State	\$ 46,622	\$ 45,507	\$ 45,021	\$ 43,052	\$ 42,276	\$ 43,268	\$ 42,018	\$ 42,099	\$ 39,073	\$ 37,013
Percentage change	2.45%	1.08%	4.37%	1.80%	(2.29%)	2.97%	(0.19%)	7.74%	5.57%	6.40%
National	\$ 46,643	\$ 45,224	\$ 43,984	\$ 41,892	\$ 40,731	\$ 40,584	\$ 39,138	\$ 40,166	\$ 39,392	\$ 37,698
Percentage change	3.14%	2.82%	4.75%	2.77%	0.36%	3.69%	(2.56%)	1.96%	4.49%	6.42%
Resident civilian labor force and employment										
Civilian labor force employed	645,092	624,638	615,546	615,333	591,329	587,304	594,500	620,000	623,150	622,300
Unemployed	27,729	30,142	33,913	43,321	39,941	41,600	43,250	26,000	17,000	15,800
Unemployment rate	4.10%	4.60%	5.20%	6.60%	6.30%	6.60%	6.80%	4.00%	2.70%	2.50%

Source: State of Hawaii, Department of Business, Economic Development and Tourism – QSER.
Bureau of Economic Analysis – Regional Economic Accounts.
State of Hawaii, Department of Labor and Industrial Relations –
Hawaii Workforce Infonet (HWI).

Note: The Per Capita Personal Income amount is computed by dividing Personal Income by Population, multiplied by 1,000.

State of Hawaii
Demographic and Economic Information
Ten Largest Private Sector Employers
June 30, 2015 and June 30, 2006

2015			2006		
Employer	Employees	Percentage of Total State Employment	Employer	Employees	Percentage of Total State Employment
AHR Hospitality Partners, Inc.	3,000	0.4%	Aloha Airgroup Inc.	3,375	0.5%
Bank of Hawaii Corp	2,161	0.3%	Hawaii Pacific Health	5,500	0.9%
Hawaii Pacific Health	6,441	1.0%	Hawaiian Airlines	3,300	0.5%
Hawaiian Electric Industries, Inc.	3,965	0.6%	Hawaiian Electric Industries, Inc.	3,383	0.5%
Hawaiian Holdings, Inc.	5,379	0.8%	Kaiser Permanente Medical Care Program	3,969	0.6%
Kaiser Permanente Hawaii	4,314	0.6%	Kyo-ya Co., Ltd	3,807	0.6%
Kamehameha Schools	2,391	0.4%	Marriott International	5,835	0.9%
Kyo-ya Hotels & Resorts LP	3,006	0.4%	McDonald's Restaurants of Hawaii	3,775	0.6%
Outrigger Enterprises Inc.	3,757	0.6%	NCL America	3,515	0.6%
The Queen's Health Systems	6,942	1.0%	The Queen's Health Systems	4,351	0.7%

Source: Hawaii Business, Annual August Issue.
 State of Hawaii, Department of Labor and Industrial Relations – HWI – Labor
 (Total State Employees).

Note: Total Annual Average Employment for Hawaii for fiscal year 2015 – 673,000 and for
 fiscal year 2006 – 631,000.

Listed alphabetically.

State of Hawaii
Demographic and Economic Information
State Employees by Function
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	4,571	4,572	4,419	4,394	4,381	4,381	4,752	4,720	4,523	4,638
Public safety	3,197	3,175	2,981	2,903	2,864	2,880	3,089	3,011	2,889	2,881
Transportation	2,295	2,254	2,275	2,202	2,160	2,158	2,290	2,229	2,222	2,287
Conservation of natural resources	1,007	1,007	972	929	941	983	1,146	1,126	1,041	1,040
Health	6,731	6,813	7,136	6,919	6,876	6,863	7,266	6,730	6,909	6,906
Welfare	1,927	1,941	1,940	1,800	1,788	1,848	2,404	2,312	2,242	2,386
Lower education	21,707	21,797	21,976	22,065	21,917	22,090	22,675	22,620	23,521	22,771
Higher education	8,802	9,080	8,978	8,795	8,687	8,732	9,066	8,705	8,619	8,375
Other education	488	492	-	454	473	482	516	518	509	523
Urban redevelopment and housing	123	127	116	127	130	146	154	150	147	136
Economic development and assistance	761	759	781	815	816	835	1,141	865	850	864
Total	51,609	52,017	51,574	51,403	51,033	51,398	54,499	52,986	53,472	52,807

Source: State of Hawaii, Department of Human Resources Development.

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
General government					
Tax Commission					
Total individual net income returns	715,706	737,205	612,373	703,262	747,237
Number of individual net income returns filed electronically	509,409	483,817	397,178	430,421	388,463
Percentage of individual net income returns transmitted electronically	71.18%	65.63%	64.86%	61.20%	51.99%
Public safety					
Inmate population					
In-state facilities	4,683	4,456	4,438	4,396	4,423
Out-of-state facilities	1,341	1,363	1,415	1,677	1,667
Total	<u>6,024</u>	<u>5,819</u>	<u>5,853</u>	<u>6,073</u>	<u>6,090</u>
Conservation and natural resources					
Parks and Recreation					
Number of state-owned parks	52	51	53	53	53
Health					
Environmental health					
Air quality sites monitored	14	13	14	12	14
Water quality stations	161	173	173	193	201
Revolving loan funds	159	149	133	120	109
Mental health					
Adult consumers served	8,282	10,408	10,728	11,062	11,194
Individuals with developmental disabilities served	2,705	2,615	2,599	2,558	2,438
Welfare					
Temporary assistance to needy families recipients/temporary assistance to other needy families recipients (TANF/TAONF)					
Families per-month average	8,102	8,927	10,075	10,300	10,014
Average time on assistance	17.5	N/A	14.6	13.5	13.0
Monthly benefits paid for the month of July (in millions)	\$ 3.60	\$ 4.10	\$ 5.47	\$ 6.42	\$ 6.17
General assistance					
Individuals per month	5,699	5,598	5,687	5,633	5,298
Food stamp program					
Number of persons participating	191,918	193,565	187,062	172,676	154,496
Number of households participating	96,502	98,440	94,649	86,418	77,133
Benefits issued (in millions)	\$ 49.90	\$ 43.39	\$ 40.33	\$ 37.18	\$ 33.42
Medicaid programs					
Med-Quest enrollment	332,197	325,510	292,423	287,902	272,218

2010	2009	2008	2007	2006
665,057	682,178	678,305	667,297	602,375
322,515	308,366	271,212	231,154	196,959
48.49%	45.20%	39.98%	34.64%	32.70%
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
4,047	3,928	6,014	6,045	6,251
1,940	2,077	2,014	2,009	1,844
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
5,987	6,005	8,028	8,054	8,095
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
53	53	53	53	53
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
13	14	14	16	16
290	349	271	363	363
107	102	90	73	65
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
14,633	15,772	15,586	13,545	12,245
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2,661	2,879	2,821	3,360	2,300
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
9,448	8,661	8,358	8,381	9,837
15.0	14.0	13.0	16.0	15.0
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 5.29	\$ 3.46	\$ 4.75	\$ 4.60	\$ 5.09
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
5,068	5,014	4,458	3,955	3,917
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
133,043	109,268	93,956	88,847	88,967
66,885	54,925	47,545	45,026	46,285
\$ 28.74	\$ 20.22	\$ 14.64	\$ 12.89	\$ 12.49
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
259,307	235,203	211,105	202,126	203,345

(continued)

State of Hawaii
Operating Information
Operating Indicators by Function
Ten Years Ended June 30, 2015

	Fiscal Year Ended June 30,				
	2015	2014	2013	2012	2011
Lower education					
Number of schools	289	288	286	286	287
Number of students	182,384	185,273	183,251	181,213	178,208
Staff					
Classroom teachers	11,663	11,781	11,632	11,458	11,046
Librarians	173	185	192	199	204
Counselors	623	625	629	627	618
Administrators	914	833	823	806	734
Other support staff	9,052	9,014	8,987	8,975	8,408
Total	<u>22,425</u>	<u>22,438</u>	<u>22,263</u>	<u>22,065</u>	<u>21,010</u>
Higher education					
Enrollment					
Number of credit students	55,756	57,052	58,941	60,295	60,330
Degrees earned					
Certificates/Associate Degrees/Advanced Professional certificates	4,830	5,158	4,097	3,638	3,324
Bachelor's degrees	4,599	4,408	4,236	4,055	3,796
Master's degrees/Professional diploma	1,035	1,179	1,095	1,287	1,269
Doctor's degrees/First Professional	579	467	508	494	496
Other	61	66	65	154	103
Total	<u>11,104</u>	<u>11,278</u>	<u>10,001</u>	<u>9,628</u>	<u>8,988</u>
Degrees by campus/college					
University of Hawaii at Manoa	4,923	4,949	4,737	4,767	4,675
University of Hawaii at Hilo	905	806	809	915	731
University of Hawaii at West Oahu	439	352	349	301	255
Hawaii Community College	569	669	552	452	405
Honolulu Community College	725	683	551	565	559
Kapiolani Community College	1,335	1,513	1,193	987	851
Kauai Community College	264	203	216	196	208
Leeward Community College	1,000	1,090	770	721	657
Maui Community College	575	660	601	560	482
Windward Community College	369	353	223	164	165
Total	<u>11,104</u>	<u>11,278</u>	<u>10,001</u>	<u>9,628</u>	<u>8,988</u>

N/A Not available.

Note: Migration to new registration system at the UH Community Colleges, UH at Mānoa, UH at Hilo, and UH at West Oahu in Fall 2006.

Source: General Government – State of Hawaii, Department of Taxation.
 Public Safety – State of Hawaii, Department of Public Safety.
 Conservation of Natural Resources – State of Hawaii, Department of Land and Natural Resources.
 Health – State of Hawaii, Department of Health.
 Welfare – State of Hawaii, Department of Human Services.
 Lower Education – State of Hawaii, Department of Education.
 Higher Education – University of Hawaii.

2010	2009	2008	2007	2006
286	289	287	286	285
178,649	177,871	178,369	179,234	181,406
11,262	11,294	11,396	11,270	11,226
225	249	257	272	292
646	660	660	670	671
728	747	773	746	706
8,607	8,654	8,566	8,103	8,164
<u>21,468</u>	<u>21,604</u>	<u>21,652</u>	<u>21,061</u>	<u>21,059</u>
<u>60,090</u>	<u>57,945</u>	<u>53,526</u>	<u>50,454</u>	<u>49,990</u>
3,025	2,785	2,660	2,710	2,637
3,593	3,705	3,698	3,586	3,639
1,216	1,185	1,269	1,219	1,320
351	354	369	320	321
106	55	-	-	-
<u>8,291</u>	<u>8,084</u>	<u>7,996</u>	<u>7,835</u>	<u>7,917</u>
4,414	4,496	4,566	4,313	4,401
601	614	588	592	614
242	221	180	217	265
426	386	346	311	339
486	504	520	537	515
783	702	685	757	641
162	163	139	135	114
608	503	475	514	533
416	364	367	336	360
153	131	130	123	135
<u>8,291</u>	<u>8,084</u>	<u>7,996</u>	<u>7,835</u>	<u>7,917</u>

(concluded)

**State of Hawaii
Operating Information
Capital Assets Statistics by Function
Ten Years Ended June 30, 2015**

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government										
Department of Accounting and General Services	79	78	74	74	74	74	74	72	71	10
Buildings	650	650	608	600	592	582	602	571	553	581
Vehicles										
Department of the Attorney General	6	6	5	5	5	5	5	5	5	5
Buildings	3	3	3	3	3	3	3	2	1	1
Vehicles										
The Judiciary	19	19	19	18	18	18	18	17	17	17
Buildings	18	18	18	18	17	16	15	13	14	15
Vehicles										
Other departments	23	23	22	24	24	24	23	23	23	21
Buildings	3	4	4	4	4	4	4	5	6	6
Vehicles										
Public Safety										
Department of Public Safety	77	75	74	74	74	73	72	71	71	71
Buildings and correction facilities	306	279	274	277	278	277	262	260	245	241
Vehicles										
Department of Defense	99	98	98	97	97	96	96	96	100	98
Buildings	96	128	118	112	81	79	79	79	84	77
Vehicles										
Department of Commerce and Consumer Affairs	4	4	4	4	4	4	4	4	4	4
Buildings	-	-	-	-	-	1	-	-	-	-
Vehicles										
Highways										
Department of Transportation	2,477	2,488	N/A	N/A	N/A	2,497	2,479	2,478	2,466	2,433
Highway lane miles	752	752	N/A	N/A	N/A	752	752	752	752	752
Highway bridges	39	37	36	36	34	34	34	29	26	26
Buildings	971	982	984	951	958	968	963	949	932	918
Vehicles										

N/A Not available

Source: Buildings and Vehicles – State of Hawaii, Department of Accounting and General Services.
Lane Miles – State of Hawaii, Department of Transportation.
Land Area and Highway Bridges – State of Hawaii, Data Book 2014.

	Fiscal Year Ended June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Conservation of natural resources										
Department of Land and Natural Resources										
Land area (in square miles)	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423	6,423
Buildings	97	96	94	93	95	95	95	74	76	75
Vehicles	824	785	788	756	758	732	731	706	681	597
Department of Agriculture										
Buildings	33	32	32	32	32	32	32	32	31	27
Vehicles	164	166	167	170	176	186	186	184	166	167
Health										
Department of Health										
Buildings	74	74	74	74	74	74	72	71	75	69
Vehicles	230	227	238	252	259	280	284	295	292	283
Welfare										
Department of Human Services										
Buildings	18	18	18	18	18	18	18	18	18	18
Vehicles	104	116	110	107	111	111	117	128	126	134
Lower education										
Department of Education										
Buildings	8	8	8	8	8	8	8	8	8	8
Other education										
Department of Education – libraries										
Buildings	38	38	38	34	34	34	34	34	34	34
Vehicles	29	25	27	28	27	28	28	30	31	33
Urban redevelopment and housing										
Department of Hawaiian Home Lands										
Buildings	18	18	18	18	18	18	17	16	18	15
Vehicles	36	33	37	33	34	34	34	33	30	29
Economic development and assistance										
Department of Business, Economic Development and Tourism										
Buildings	32	32	32	33	33	33	33	32	27	30
Vehicles	32	28	30	32	33	34	34	39	37	36
Department of Labor and Industrial Relations										
Buildings	8	8	8	8	8	8	8	8	8	8
Vehicles	2	2	2	2	2	2	2	2	2	2